

# Oadby & Wigston Borough Council

## Internal Audit Progress Report 2013/14

February 2014



## 1. Introduction

This report summarises the work of Internal Audit for the period to mid-January 2014. The purpose of the report is to update the Committee on progress made in delivering the 2013/14 audit plan.

## 2. Progress summary

The agreed internal audit plan for the 2013/14 year totals 254 days. Section 5 provides details of all of the audit assignments included in the 2013/14 year, together with details of the point in the year at which each assignment is planned for delivery and an update on progress where assignments have commenced. We have delivered 140 days of work against the plan to mid-January 2014, which is in line with our amended planned profile at this stage of the year. At management request we have re-prioritised various planned audits within 2013/14 and brought forward certain audits originally planned for 2014/15.

## 3. Reviews completed

The following reviews have been completed and final reports agreed with management since the last meeting of this Committee.

Review	Status	Level of assurance
<b>Income Management and Cash Receipting</b>	This review has been completed and a summary is provided within this progress report	<b>Significant</b>
<b>Debtors</b>	This review has been completed and a summary is provided within this progress report	<b>Significant</b>
<b>Business Rates</b>	This review has been completed and a summary is provided within this progress report	<b>Significant</b>
<b>Benefits</b>	This review has been completed and a summary is provided within this progress report	<b>Significant</b>

Review	Status	Level of assurance
Treasury Management	This review has been completed and a summary is provided within this progress report	Significant

We have agreed with management that where we have provided ‘full’ or ‘significant’ assurance overall on an audit review, the Committee will be provided with summaries of the outcomes of such audits. The tables below accordingly set out summaries of the outcomes and any high or medium risk issues raised in these cases, and agreed actions to address them. Where we have provided ‘moderate’, ‘limited’ or ‘no’ assurance overall on an audit, we provide the audit report in full for the Committee’s attention, separately on the agenda – there are no such reports in this case.

**Members are reminded that the findings, recommendations and management responses presented are drawn directly from the audit report agreed in each case, and are not intended to be updates on the current status of each issue involved. Thus, for example, some of the implementation dates proposed by managers to address audit findings will already have passed by the time of this Committee meeting. The implementation of agreed recommendations is monitored through our recommendation tracking system, which is referred to later in this progress report.**

Review	Summary	Level of assurance				
Income Management & Cash Receipting	This audit examined the adequacy of the control environment in operation regarding management of the Council's income and cash receipting arrangements. A Significant Assurance Opinion was provided, with 5 medium level and 1 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
1. The organisation has up to date policies and procedures relating to income management and cash receipting.			✓			
2. Processes are in place to ensure the complete, accurate and timely collection/receipt, banking and recording of all cash and cash equivalents due to the organisation.			✓			
3. Robust processes are in place for cash and bank reconciliations.			✓			
4. Adequate physical security measures exist to protect relevant employees, cash and controlled stationery.			✓			
5. Appropriate insurance arrangements are in place to cover risks relating to income, cash receipts and related staff risks.		✓				

The 5 medium level risk issues and management's response are set out below:

**System Control Objective 2: Processes are in place to ensure the complete, accurate and timely collection/receipt, banking and recording of all cash and cash equivalents due to the organisation.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.1 Contractual Documentation</b>	At the time of the audit we were unable to obtain a copy of the banking contract with Natwest. The Arrears and Debt Recovery Officer stated that the Natwest contract is being reviewed and the contractual documentation is with Legal Services for review.	Absence of signed agreement may hinder any disputes over service provided.  Cannot monitor against KPIs set out in contracts.	3	It should be ensured that a signed copy of the banking contract with Natwest is readily available for reference and for the monitoring of contractor performance.	Legal Services at the Council have confirmed that the contract with Natwest is still under review by the legal teams from both organisations and that signed copies of new contracts are imminent.	Paul Loveday Finance Manager	Implemented (30 Nov 2013)
<b>2.2 Cash Collection Sheets – Brocks Hill</b>	5 Daily Cash Sheets were tested to confirm that when cash / cheques were counted for banking and agreement to machine totals this was done in the presence of two officers and evidenced by the recording of their signatures on the daily cash sheets. This highlighted:  4/5 Daily Cash Sheets were only signed by one officer. For 1/5 it could not be determined if it had been signed by any officer, because the signing area on the photocopied document had been masked by the paying in slip.  We are not aware of significant cash losses having resulted from this control weakness at this point.	Non compliance with dual control procedures for cash income.  Errors/ anomalies not detected in a timely manner. Increased opportunity for under declaration of income.	3	It should be ensured that two officers are present when cashing up is undertaken and the Daily Cash Sheets prepared are signed by both officers.	Two officers are present when cashing up is undertaken and both officers now sign the daily cash sheet as evidence.	Carolyn Holmes Brocks Hill Manager	Implemented (22 Oct 2013)
<b>2.3 Cash Collection Sheets – Council Offices</b>	The Daily Cash Sheet which records the cash income taken by the cashier on a given day should be signed by both the cashier and a Finance Officer to confirm that the cash has been counted by both of them and agrees to the Paris System.  Our testing of 10 receipts relating to 9	Non compliance with dual control procedures for cash income.  Errors/ anomalies not detected in a	3	As per 2.2.  All Daily Cash Sheets should be accounted for.	Agreed. The need for two signatures on the Daily Cash Sheets will be reinforced as will the need to ensure that all sheets can be accounted for.	Paul Loveday Finance Manager	Implemented (31 Oct 2013)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>different dates during the period April 2013 - July 2013 highlighted the following:</p> <p>One Daily Cash Sheet could not be located (6 June 2013). However the completed paying in slip for cash takings for that day was confirmed as banked. Of the remaining eight Daily Cash Sheets, one had not been signed by either the cashier or finance officer and one had been signed by the cashier only.</p> <p>Similar findings have been previously reported in the 2012/13 Audit Report.</p> <p>We are not aware of significant cash losses having resulted from this control weakness at this point.</p>	<p>timely manner. Increased opportunity for under declaration of income.</p> <p>Reduced audit trail.</p>					

### System Control Objective 3: Robust processes are in place for cash and bank reconciliations.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>3.1 Monthly Bank Reconciliations</b>	<p>We sample tested 3 randomly selected months to confirm that monthly bank reconciliations had been undertaken and reviewed for the period April 2013 - August 2013. This highlighted that the August 2013 reconciliation had not yet been undertaken and reviewed as at the end of September 2013.</p> <p>Our testing also highlighted the relatively late preparation and review of the other two reconciliations tested - the May 2013 reconciliation was prepared on 9 July 2013</p>	Errors and or anomalies not detected / actioned in a timely manner.	3	It should be ensured that the monthly bank reconciliations are undertaken in a timely manner – ideally by 10 working days after the period end, but at least to comply with the Council's own procedures requiring this to be done by 21 <sup>st</sup> of the following month.	Due to staff changes and having to train temporary staff to do the reconciliations it is agreed that delays have occurred. It is envisaged that all bank reconciliations due by the end of November 2013 will have been completed and going forwards the monthly timetable should be	Paul Loveday Finance Manger	Implemented (30 Nov 2013)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>and reviewed on 15 July 2013 and the July 2013 reconciliation was undertaken and reviewed on 30 August 2013.</p> <p>We would normally expect reconciliations to be carried out by 10 working days after month end; we acknowledge that Council procedures aim to ensure that reconciliations are done by 21<sup>st</sup> of the following month.</p>				adhered to.		

#### System Control Objective 4: Adequate physical security measures exist to protect relevant employees, cash and controlled stationery.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>4.1 Cash in transit</b>	<p>There is a safe in the Cashier's Office but it is not currently used. The intention is to use it when the partition screen has been erected in the office and safe access is sorted out so that Kings security can collect directly the day's takings rather than from the Finance Office as at present. This arrangement currently presents a risk as the cash takings are taken by staff to the Finance Office during working hours, when the cashier's office is closed but when the public still have access to the corridor area where the cash is being transported. The Finance Manager had indicated that the screening and safe access should be sorted by the end of October 2013.</p>	<p>Staff safety is compromised.</p> <p>Stolen income.</p>	3	<p>It should be ensured that the current arrangements for transporting cash through an area to which the public have access is discontinued as soon as possible in favour of the intended direct collection by Kings from the Cashier's Office.</p>	<p>All money will be cashed, reconciled and placed in safe by Finance (within cashiers) after cashiers close. Then the courier (Kings) will collect the takings when they come in the following day. It has also been agreed that Finance will hold the key to the safe to segregate the duties.</p>	<p>Andrew Kupusarevic</p> <p>Interim Head of Customer Services</p>	4 Nov 2013

Review	Summary	Level of assurance
Debtors	This audit examined the adequacy of the control environment regarding the Council's arrangements for debtors and debt recovery. A Significant Assurance Opinion was provided, with 4 medium level recommendations and 5 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant

System control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. All potential sources of income are identified and investigated to ensure that the organisation receives the maximum income available.		✓			
2. Debt Recording, collection, recovery and write-off procedures are sufficient to ensure prompt payment and effective collection.		✓			
3. Adequate and timely management information is generated in respect of past and future income to provide a sound basis for control and decision making.		✓			
4. Systems and control procedures are kept under regular management supervision and review to maintain internal control, notwithstanding changes to system and personnel.		✓			
5. There is adequate segregation of duties and the system is secure against unauthorised access, data loss of theft.		✓			
6. All invoices and receipts are accurately and completely accounted for.		✓			

The 4 medium level risk issues and management's response are set out below:



**System Control Objective 1: All potential sources of income are identified and investigated to ensure that the organization receives the maximum income available.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>1.2 Debtor Masterfile Amendments</u></b>	<p>There are no reports produced to identify and review amendments to the debtors masterfile, neither is documentation retained to provide an audit trail for any amendments.</p> <p>Finance staff said that If a specific amendment was questioned then Integra could produce an Audit Trail log which would identify who had made that specific amendment, but that this would be the exception rather than the norm.</p>	Unauthorised and undetected amendment to the debtors masterfile.	3	All amendments to the debtors masterfile should be authorised and documentation retained to support the authorisation and reasons for the change eg correspondence from the debtor. It should be ensured that a monthly report of amendments to the debtors masterfile is produced and reviewed.	It is accepted that a report of debtor amendments needs to be produced but there are no standard system reports currently available. It will require commissioning the software supplier to write a bespoke exception report for this area and for several other areas eg an exception report is required for creditor masterfile amendments. This will incur additional costs to the Council but it is expected resources will be available by the current year end to get this matter resolved. This work will be undertaken in March. In the meantime an audit trail of all changes does exist electronically.	Paul Loveday Finance Manager	31 Mar 2014
<b><u>1.3 Periodic Income Spreadsheet Summary</u></b>	A periodic income spreadsheet is maintained for debtor accounts that have to be invoiced periodically (quarterly / annually). Our review highlighted that the dates of the listed termination of two agreements had passed but these debtors still had active accounts. Finance staff said that the spreadsheet is only updated when Legal Services informs them of permanent changes (eg cessation of agreements) and therefore the cases identified are due to rolling contracts.	Incorrect contract information recorded. Incorrect rates charged.	3	The Finance Section should request Legal Services to review and update the periodic income spreadsheet on an annual basis to confirm that all debtors listed are still active (with legally binding agreements in place) and are being charged at the correct rates.	Agreed. These are reviewed each year before the start of the new financial year. This will be completed in March for the financial year 2014/15.	Sarah Chard Arrears and Debt Recovery Officer	31 Mar 2014

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When

**System Control Objective 2: Debt recording, collection, recovery and write-off procedures are sufficient to ensure prompt payment and effective collection.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>2.2 Monitoring of Debt - Monitoring and Write off</u></b>	<p>We reviewed an aged debt report relating to sundry debtor accounts at 28 October 2013, and this highlighted the total balance of aged debt was £444,074 analysed as follows:</p> <p>1-91 days - £116,700 (26%)  92 - 182 days - £22,039 (5%)  183 - 274 days - £8775 (2%)  274+ days - £296,560 (67%)</p> <p>This confirms that some 74% of the outstanding debt is more than three months old.  However we recognise from discussions with the Finance Manager and the Arrears and Debt Recovery Officer that this apparent level of debt is to a degree inflated given that:</p> <ul style="list-style-type: none"> <li>- A provision for write off of debts was set at £217k in the accounts at 31 March 2013;</li> <li>- a significant proportion (c£50k) is time-barred Housing Benefit overpayments and will need to be written off although current practice is to retain Housing Benefit overpayments as open debts as long as possible such that these can be reinstated to recover from ongoing</li> </ul>	Overstatement of debtors (given increased risk of bad debts).	3	The increased effort to identify and write off bad debt in a timely manner is maintained to ensure debt levels continue to be managed downwards.	Agreed.	Paul Loveday Finance Manager	Implemented (30 Nov 2013)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>benefit should the claimant claim again in future;</p> <ul style="list-style-type: none"> <li>- one debt (c£20k) relates to a charge on a property and is thus a long term debtor;</li> <li>- it is intended to write off some £50k of debt before 31 December 2013;</li> <li>- some £100k of the debt relates to homeless bonds schemes which although may not be recoverable are still viewed as ongoing loans.</li> </ul> <p>We acknowledge that the Finance Manager has stated that more effort is now being directed at reducing the reported aged debt with the recent introduction of quarterly write off exercises for relevant debts. Also we evidenced during our review that £47k of debt under £5k each and dating back to year 2000 had been approved for write off by the Interim Chief Financial Officer on 14 October 2013.</p>						
<b><u>2.3 Referrals to bailiffs - delays</u></b>	<p>Our testing of the recovery of debt highlighted two cases where although the timeliness procedures for issuing the final reminders had been complied with, we consider that the quarterly referrals procedure to bailiffs may hinder the recovery of the debts due to the time delay.</p> <p>The following cases refer:</p> <ul style="list-style-type: none"> <li>• Invoice 124443 – Amount £ 1138.78 -Final Reminder dated 27/08/2013; due for referral to bailiffs 30 days thereafter – 26 Sept 2013. Will be referred in January 2014. (Delay 3 months);</li> <li>• Invoice 124532 – Amount £ 1245 - Final Reminder dated 10/09/2013; due for referral to bailiffs 30 days thereafter – 10 Oct 2013. Will be referred in January 2014. (Delay</li> </ul>	Reduced possibility of recovering debts.	<b>3</b>	Consideration should be given to referring debts to the bailiffs on a monthly rather than quarterly basis to increase the possibility of recovery.	Agreed. From the start of the new financial year debts will be referred monthly to the bailiffs as it is accepted that quarterly referrals are introducing undesired delays in the debt recovery process.	Sarah Chard Arrears and Debt Recovery Officer	Implemented (30 Dec 2013)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	2.6 months).						

Review	Summary	Level of assurance				
Business Rates	This audit examined the adequacy of the control environment regarding the Council’s arrangements for administering Business Rates. A Significant Assurance Opinion was provided, with 1 high, 9 medium level, and 2 low level, recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
1. Suitable, authorised policies and procedures are in place covering Business Rates processing, and staff are made aware of these and the need to comply with them.			✓			
2. Relevant property records are accurately, comprehensively and efficiently maintained and updated.			✓			
3. NNDR liability is determined efficiently and in line with statutory requirements for all properties.		✓				
4. Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from those liable.			✓			
5. The application of reliefs/exemptions is authorised in accordance with			✓			

Review	Summary			Level of assurance	
statute, the authority's policy and is supported by documentary evidence.					
6. Secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct ratepayers' accounts.	✓				
7. Collection rates and other key performance indicators are regularly monitored.		✓			
8. Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements.			✓		
9. Non-recoverable debts are written off in accordance with policy and with suitable authorisation.			✓		
10. There is a routine reconciliation between the Main Accounting system, the Business Rates system and the Cash Receipting system.		✓			

The 1 high and 9 medium level risk issues and management's response are set out below:

### System Control Objective 2: Relevant property records are accurately, comprehensively and efficiently maintained and updated.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.1 VO Listings and Academy reconciliations</b>	Audit testing was undertaken for the three months July 2013 - September 2013 to confirm that fortnightly reconciliations of the Valuation Office (VO) Listings (which are downloaded weekly by the Welfare and Taxation Support Services Manager and reconciled to the to the Council's Academy system of NNDR properties) were being done to confirm that notified property	Amendments to property details not done accurately and timely.  VO listing not matching Council NNDR	3	It should be ensured that the fortnightly reconciliations of the VO listing to the NNDR properties on the Academy system are done in line with the procedural frequency to ensure that all amendments to the Council's property lists are done in an accurate and timely	All six reconciliations for the period reviewed by Audit have now been completed and placed on file. It is intended to adhere to the fortnightly performance cycle from the end of November 2013.	David Coe Welfare and Taxation Support Services Manager	30 Nov 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When								
	amendments are being processed accurately and promptly. This highlighted that although reconciliations were being performed they were not always in line with the expected timings. Six fortnightly reconciliations should have been done in the period under review, but only four reconciliations had been undertaken, three of them later than the expected dates therefore not in line with the fortnightly cycle set out in procedures.	records.  Income due to the Council not recovered in a timely manner.		manner to enable maximisation of business rates income.											
2.2 Building Control notifications	<p>Our sample testing highlighted that there were Building Control Completion Reports (monthly notifications) for 2013/14 only up to July 2013 on the Building Control / Planning Applications file maintained by the Visiting Officer at the time of the audit (October 2013). These monthly notifications are used to inform the VO Log which is sent to the VO office to inform them of completed changes to properties which could affect their rateable values.</p> <p>Further, our tests on a sample of properties from the Building Control Lists for May 2013 - July 2013 to the VO Log highlighted that:</p> <ul style="list-style-type: none"><li>three properties were notified to the VO office sometime after the completion date as follows:</li></ul> <table><tr><th>Completed</th><th>VO Notified</th></tr><tr><td>16/05/2013</td><td>08/07/2013</td></tr><tr><td>05/06/2013</td><td>09/09/2013</td></tr><tr><td>17/07/2013</td><td>09/09/2013</td></tr></table> <ul style="list-style-type: none"><li>for two properties it could not be confirmed that they had been recorded on the VO Log as the addresses recorded on the Building Control lists had not been recorded likewise on the VO Log and could be wrongly mistaken for other entries with similar addresses on the Log.</li></ul>	Completed	VO Notified	16/05/2013	08/07/2013	05/06/2013	09/09/2013	17/07/2013	09/09/2013	<p>Completed changes to properties not notified to VO and in a timely manner.</p> <p>Increases in rateable values and associated increased income due not collected in a timely manner.</p> <p>Reduced audit trail.</p>	3	<p>It should be ensured that all monthly Building Control completion reports are received in a timely manner and these are used to notify the VO in a timely manner.</p> <p>The VO Log should be modified so that the address of the property recorded is complete and therefore cannot be confused with other properties in the same vicinity, on the same road etc.</p> <p>Management should ensure these controls remain in place despite the change of Visiting Officer.</p>	<p>The Building Control Service has only provided completion reports up to July 2013 and the timings of the notifications to the VO are dependent on when the these reports are received from Building Control. As an example, for the two properties reported to the VO in September 2013, the completion reports were received on 15 August 2013.</p> <p>The Building Control Service will be contacted to agree the best way for obtaining the monthly completion reports on a more timely basis, so that the VO can also be informed on a timely basis. They will also be asked to confirm where there are no completions to report for a particular month, in addition to continuing to provide monthly lists of planning</p>	David Coe Welfare and Taxation Support Services Manager	30 Nov 2013
Completed	VO Notified														
16/05/2013	08/07/2013														
05/06/2013	09/09/2013														
17/07/2013	09/09/2013														

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	We note that the previous Visiting Officer retired at the end of September 2013 and a replacement is being recruited.				<p>applications that may be of interest. All correspondence will be retained on file.</p> <p>The details of completed properties recorded on the VO Log will be modified to provide an improved audit trail.</p>		
<b>2.3 Planning Applications Review</b>	<p>Planning applications of interest are monitored by the Visiting Officer when she receives email notifications from the Planning Section, so that when changes to a business property are finally completed these can be compared to the Building Control Lists of completed buildings and then added to the N NDR VO log and the VO notified.</p> <p>However our testing highlighted that there was no evidence on the Building Control / Planning Applications file maintained by the Visiting Officer to confirm any receipt of such email notifications and any NNDR monitoring (during the 2013/2014 financial year to date) of planning applications by the Visiting Officer. The Welfare and Taxation Support Services Manager later confirmed that planning lists had been received and were in an email inbox but there was no evidence that they had been reviewed by the Visiting Officer.</p>	All NNDR properties not on the Valuation List and at their correct rateable values.	3	<p>It should be ensured that the monitoring of planning lists of properties of interest that could affect their rateable values by the Visiting Officer is undertaken on an ongoing basis.</p> <p>Periodic checks should be undertaken by the Welfare and Taxation Support Services Manager to ensure that this is being done.</p> <p>Management should ensure these controls remain in place despite the change of Visiting Officer.</p>	<p>It will be ensured that the monitoring of lists is maintained. See also 2.2</p>	David Coe Welfare and Taxation Support Services Manager	30 Nov 2013

**System Control Objective 4: Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from those liable.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>4.1 Mailing of bills</b>	<p>We obtained a copy of the Royal Mail Confirmed Sales Order which confirmed that 1013 NNDR bills were posted on 1 March 2013. This does not reconcile to the expected 1327 bills being posted (subject to adjustment for one business with several properties when 1 letter would be issued) - the difference is 314. The Welfare and Taxation Support Services Manager stated that this is because there were issues to be resolved on these accounts before the amounts due could be finalised and bills issued, mainly relating to continuation of reliefs and exemptions. No evidence could be provided of the subsequent mailing of these remaining bills.</p> <p>It is acknowledged that the collection rates are in line with targets which provides assurance that amounts due are largely being collected.</p>	All bills not posted in a timely manner.	3	The reasons why the issue of nearly 31% of all bills for the new financial year are being delayed should be investigated to determine whether there are any underlying reasons which can be resolved earlier.	Leading up to the billing process more resources will be directed to confirm the ongoing entitlements to relief and exemptions in the next financial year to ensure that the maximum number of bills can be issued in March 2014.	David Coe Welfare and Taxation Support Services Manager	31 Mar 2014



**System Control Objective 5: The application of reliefs/exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>5.1 - Charitable relief</b>	<p>Our testing highlighted that the current entitlement for organisations currently in receipt of charitable status exemption has not been reviewed for over four years.</p> <p>This matter was previously raised in the 2012/13 report.</p>	Charitable relief is being given upon property which may no longer be eligible	3	It should be ensured that Charitable relief is reviewed prior to the 2014/15 Business Rates billing so that charges can be made against any property that no longer meet criteria.	Agreed. See also response at 4.1.	David Coe Welfare and Taxation Support Services Manager	31 Dec 2013
<b>5.2 Timely inspection visits – empty property</b>	<p>Empty property (shops and factories) are exempt from business rates for a maximum of 3 months and 6 months respectively in any financial year.</p> <p>The Welfare and Taxation Support Services Manager periodically produces a list of these from Academy of empty properties for inspection visits.</p> <p>The Business Rates Officer (before retirement at the end of September 2013) was responsible for inspecting empty properties for which exemptions were being claimed. Up until May 2013 her time was split between working at O&amp;WBC and Blaby BC which meant that she was not always able to verify if a property is empty during the period of exemption. This means that occupied properties could have been getting empty property relief.</p> <p>Further, our testing of a sample of properties highlighted that for two of three empty properties within the sample, the current status could not be confirmed to Academy records. This was because one has not been visited since the recorded period of the start of emptiness and the other was visited sometime after 24 July 2013 (date of visit not recorded). This visit confirmed the property was occupied from 13 August 2013 but the system shows it</p>	Property in use and empty property relief granted.	3	<p>Management should review the frequency with which empty non domestic property is being inspected as currently inspections may be performed either after the exempt period or not at all if the property is brought back into use prior to next empty property inspection report being generated.</p> <p>In the short term a one off exercise to visit all properties showing as empty on the Academy system should be undertaken and relevant current and historic occupation details confirmed.</p>	The post of Visiting Officer is currently being recruited to and working practices around inspection visits and related reliefs are being reviewed to ensure that these visits are appropriately targeted and timed to ensure the maximisation of income.	David Coe Welfare and Taxation Support Services Manager	30 Nov 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	being empty from 29 March confirming that no inspection visit was made during the period of emptiness.  Similar issues were previously reported in 2012/13.						

**System Control Objective 8: Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>8.1 NNDR Debtors Report</b>	<p>The Welfare and Taxation Support Services Manager runs a monthly batch report that identifies all outstanding debt and the recovery action required (eg reminder letter stage). A copy of the report at 4 October 2013 (NNDR Financial Year Balance Analysis Details - by Account" nr 6110) was obtained. Review of the report highlighted that it does not give details of the total amount outstanding, neither is the debt analysed by age - it is merely a list of individual outstanding balances going back to around the year 2000. It is therefore extremely difficult to determine without detailed and time consuming analysis of this report, the current total recoverable debt analysed by age, and what success is being achieved in recovering the debt.</p> <p>This finding links to 8.2 below.</p>	<p>Relevant and concise information for debt monitoring not available.</p> <p>Ineffective debt recovery procedures.</p>	3	An improved report (best practice suggests the production of an Aged Debt Analysis Report) should be adopted which analyses debt in a manner which allows ease of monitoring and assists in the recovery of such debt.	<p>The suppliers of the Academy system will be contacted to determine the best and most cost effective way of generating an Aged Debt Analysis Report as there is no such facility currently available.</p> <p>Since his appointment in July 2013 the Interim Head of Customer Services has made debt identification and recovery a key performance indicator in addition to collection rates and to this effect has been working with the Senior Recovery Officer to determine how best staffing resources can be utilised to maximise the recovery of overdue debts,</p>	Andrew Kupusarevic Interim Head of Customer Services	Ongoing (31 Mar 2014)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
					<p>business rates, Council Tax and benefits overpayments. The use of an additional firm of bailiffs and or the use of a collection agency is being considered.</p> <p>Business rates aged debt of around £643k at September 2013 have been identified.</p> <p>Debt monitoring is now an agenda item at Manager's Meetings as can be evidenced from the Performance "Dashboard".</p>		
<b>8.2 Debt Recovery – Compliance with procedures</b>	<p>We selected a sample of ten debtor accounts from the NNDR Financial Year Balance Analysis Details - by Account" nr 6110 to confirm that debt recovery procedures were being complied with.</p> <p>For six of the ten, issues of non compliance were highlighted as follows:</p> <ul style="list-style-type: none"> <li>2009/10. Recovery status not stated on report. Last contact with debtor was face to face officer meeting at the Council (7 June 2010). No further recovery action taken - Amount £7282.97.</li> <li>2009/10: Debt returned from bailiffs July 2010 as not recoverable. System not updated to reflect this. Amount £3712.92. This amount should have been written off by now.</li> <li>2005/06 - 2013/13: Recovery Status not stated on the report. We later confirmed that this was a suspended case and that an exemption for</li> </ul>	<p>Lack of audit trail.</p> <p>Debit recovery and write off procedures not being followed.</p> <p>Reduced income collected.</p>	2	<p>It should be ensured that a full audit trail is available for the recovery action taken in respect of all debts including suspended debts. Where debts are deemed to be unrecoverable they should be written off at the earliest opportunity. The debts identified in this report where no action has been taken for some time and where the debt write off stage has not been identified should be fully investigated to determine the possibility of recovery.</p> <p>It should also be ensured that debt monitoring is made an agenda item at Manager's Meetings.</p>	See 8.1 above.		

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>charitable status should have been completed and the debtor status updated accordingly. (This finding links to the Charitable Status Exemption finding at 5.1 in this report).</p> <ul style="list-style-type: none"> <li>2004/05 - 2006/07: Changes of systems used to Academy system means there is no accessible trail of how the debt got to this position and what if any action has been taken since. (Total amount £2136.35).</li> <li>2004/05 - 2007/08: Insufficient trail of how debt got to bailiffs. Returned from bailiffs March 2008 as not recoverable. This amount should have been written off by now. (Amount £2306.18).</li> <li>2011/12 -2012/13: Company dissolved January 2013. Debt should be written off (Total amount £ 4321.87).</li> </ul> <p>We confirmed that debt recovery performance is not an item on the agenda for Managers' Meetings and so debt levels and recovery procedures are not being routinely monitored and actioned by management.</p>						
<b>8.3 Suspended Debts</b>	<p>Our testing of a sample of five suspended debts highlighted that one debt had recovery suspended even though the latest payment on account had been received in September 2013.</p> <p>The Welfare and Taxation support Services Manager said the officer dealing with the case had made an error on the system in suspending the case and that this suspension had now been removed.</p>	<p>Debts wrongly suspended.</p> <p>Debts not recovered.</p>	3	<p>It should be ensured that the basis for suspending any debt can be fully justified.</p> <p>Only the Welfare and Taxation Support Services Manager or nominated should have the system option to suspend cases.</p>	Agreed.	David Coe Welfare and Taxation Support Services Manager	30 Nov 2013

**System Control Objective 9: Non-recoverable debts are written off in accordance with policy and with suitable authorisation.**

The findings highlighted at Control Objective 8 are relevant to this objective.

**System Control Objective 10: There is a routine reconciliation between the Main Accounting system, the Business Rates system and the Cash Receipting system.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>10.1 Monthly Reconciliations – Academy to General Ledger</b>	<p>Our testing highlighted that the August 2013 monthly reconciliation of the Academy system income receipts to the General Ledger had not been completed. Additionally it was noted that hardcopy prints of the balances being reconciled to on the General Ledger are not retained with the reconciliation for reference - May / June / July/ September 2013, and the Academy printout for September 2013 (Financial Statement) was not attached and this reconciliation had not been reviewed by the Interim Head of Customer Services.</p> <p>Similar issues were previously reported in 2012/13.</p>	<p>Anomalies not detected in a timely manner.</p> <p>Reduced audit trail as reconciliation balances cannot be independently verified.</p>	3	It should be ensured that all monthly reconciliations of the Academy system income receipts to the General Ledger are prepared and reviewed by the Interim Head of Customer Services. Hardcopy prints of balances being reconciled to from the Academy and General Ledger system should be retained.	Agreed.	Andrew Kupusarevic Interim Head of Customer Services	Immediate

Review	Summary	Level of assurance				
Benefits	This audit examined key controls regarding the Council's arrangements for administering housing benefit and council tax support. A Significant Assurance Opinion was provided, with 1 high and 7 medium level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
1 Approved policies and procedures are in place covering all aspects of rent and arrears administration and to ensure compliance with legal requirements			✓			
2 Rent is charged correctly on all properties in accordance with policy, and with documented calculations of gross and net rent for each property		✓				
3 Robust arrangements are in place for timely and complete collection of rent payments and crediting these to the correct account			✓			
4 Arrangements to deal with arrears comply with policy and ensure efficient recovery of outstanding sums			✓			
5 Access to system functions is restricted to authorised personnel and the security and integrity of the system is maintained.			✓			
6 Performance against targets in collecting rent and arrears is suitably monitored		✓				

The 1 high and 7 medium level risk issues and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering benefits processing and overpayments, and staff are aware of these and that they need to comply with them.**

The finding reported at Control Objectives 3.1 and 5.1 have implications for this control objective.

**System Control Objective 2: Processes are in place to ensure all benefit claims are processed and payments made in accordance with regulations and relevant policies, and are legitimate and appropriate.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.1 Exception Reports - Private Tenants Payment Runs</b>	<p>Our review for the period April 2013 - November 2013 of a sample of exception reports - "High Value Cheques Report" - which are produced weekly and which detail cheque and BAC payments for private tenants which exceed £5k highlighted:</p> <ul style="list-style-type: none"> <li>the reviewed and signed off report for the payment run 19 June 2013 could not be located at the time of the review (the unsigned duplicate report indicated there were two cheque payments over £5k both payments to housing associations, therefore of lower risk);</li> <li>the exception reports are also produced when no payments over £5k are being made but these are not reviewed by managers to confirm the exception reporting control is operational. (this was noted for the payment runs for weeks 10 April and 21 August).</li> </ul>	<p>Lack of audit trail.</p> <p>Higher value payments not authorised.</p> <p>Exception reports with amounts over £5k may be produced but not reviewed.</p>	3	It should be ensured that all weekly "High Value Cheques Report" exception reports are reviewed and appropriately signed off, whether or not there are any items over £5k, thereby reducing the risk of reports being produced with payments over £5k, but not being reviewed.	Agreed.	David Coe Welfare and Taxation Support Services Manager	31 Dec 2013
<b>2.2 Quality Assurance checks</b>	<p>Our analysis of the monthly quality assurances checks undertaken by the Benefits Officer on a sample of claims processed by the Benefits Assessors (which was introduced in April 2013 to check on all claims, including targeting areas of perceived weakness), for the period April 2013 - October 2013 highlighted the following:</p> <ul style="list-style-type: none"> <li>The average error rate for the</li> </ul>	<p>Relatively high processing error rates.</p> <p>Incorrectly processed claims.</p> <p>Lack of audit trail to support identified errors corrected and individual staff</p>	3	<p>a) Continuing efforts should be made to identify and address areas of weaknesses in assessor performance.</p> <p>b) The WTPM should record evidence of her review of the monthly QA checks by signing and dating the spreadsheet and also evidence by noting on assessor staff files or</p>	<p>The Benefits Section is currently undergoing a restructuring exercise. This will result in changes in staff responsibilities from April 2014. In the meantime to address the audit findings reported, the following actions will be taken:</p> <p>a. Going forwards the</p>	David Coe Welfare and Taxation Support Services Manager	31 Dec 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>seven months (where claims had to be referred back to assessors) was 18%.</p> <ul style="list-style-type: none"> <li>For the claims referred back to assessors in the seven months, for 19% of these it has not been recorded by the Benefits Officer whether they had subsequently been assessed as adequate.</li> <li>There is no documented review of the results of the monthly checks by the Welfare and Taxation Performance Manager (WTPM) or evidence of any direct feedback to individual assessors by her;</li> <li>Although the target is to check 50 processed claims each month, the numbers checked each month have varied from a high in September (66) to a low in April (21).</li> </ul> <p>It is acknowledged that the latest forecast error rate for the Council as at week 31 (3 Nov 2013 at £9k) was below the lower threshold £30k (at which the recovery of subsidy from central government would be affected) and the number of appeals against assessor decisions was also relatively low, with 6 scheduled to go to the appeals tribunal for this year to date ( against 7354 new claims and change of circumstances processed to the end of September 2013) indicating that in general although the internally quality assessed error rates are high, the assessors would typically appear to be following the procedures and interpreting the regulations correctly.</p>	<p>made aware of need for improvement.</p> <p>Inconsistent sampling sizes.</p>		<p>elsewhere that discussions have been held and corrective action discussed and agreed.</p> <p>c) Review of performance in previously identified weak areas should be undertaken periodically after action to rectify has been implemented.</p> <p>d) The Benefits Officer should always record the results of her reassessments on the spreadsheets.</p> <p>e) The sampling size should be consistently set on a monthly basis. This would improve consistency in the monthly performance comparisons.</p>	<p>errors identified will be further analysed when the monthly checks are undertaken to determine whether the amount of the claim has been affected and to quantify this; or whether it is merely a housekeeping error(eg retaining evidence).</p> <p>The error rate of 18% identified by Audit has now been examined in more detail by the Welfare and Taxation Performance Manager and this has identified that some 7% affected amounts claimed whilst the remaining 11% related to housekeeping issues. The effects on the amounts identified for the 7% of claims are currently being quantified .</p> <p>Assessors will be made aware of the number and types of errors being made and of the financial and other impact on claims and on the Council's grant claims for subsidy.</p> <p>b. Agreed c.. Agreed d. Agreed e. Agreed</p>		



Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.3 Declaration of Interest Forms-Agency Worker</b>	Our testing highlighted that an agency worker previously employed from January 2013 –to April 2013 within the Benefits Team as an assessor had not been required to sign a declaration of interest form. The Welfare Taxation and Performance Manager acknowledged that this should have been done. Note we confirmed that his access to the Academy system had been revoked on his departure.	Conflicts of interests are not declared.  Undetected bias by staff in performing their duties.	3	It should ensure that declarations of interests are completed by all staff including agency staff when joining the Revenue and Benefits Team.	Agreed. New procedures were introduced in the section in October 2013 relating to “new starters sign up” including agency staff.	David Coe Welfare and Taxation Support Services Manager	Implemented (31 Oct 2013)
<b>2.4 New claims and change of circumstances</b>	Our testing of 25 new claims for the period April 2013 - September 2013 and 15 change of circumstances assessments highlighted the following: <ul style="list-style-type: none"> <li>3 new claims (2 unsuccessful) had been processed in 33, 36 and 42 days. The target is 22 days. It is acknowledged that the average performance for that period was reported as 13.68 days.</li> <li>4 change of circumstances assessments were not supported by the Internal "Backing Sheet" on the IDOX system. These sheets are supposed to be signed off by the assessor, summarising the outcome of the assessment and the information it was based on. It is acknowledged that an information trail was available for each of these cases within the notes section of the Academy system.</li> </ul>	Undue delays in processing new claims.  Decision making evidence not readily available.	3	a) It should be ensured that all new claims are processed within the council target of 22 days. The cases we have highlighted should be reviewed to determine whether there are internal or external factors responsible for the breaches.  b) Backing Sheets should be produced and added to the IDOX system for all change of circumstances assessments. The cases we have highlighted should be reviewed to determine the reasons why this was not the case.	a) Agreed. Two of the claims identified by Audit were due to claimant delays and one was due to a combination of claimant and assessor delays.  b) Agreed. The need to complete the Backing Sheet and have it scanned onto the IDOX system in a timely manner will be reinforced to the assessors.	Jacky Griffith Welfare and Taxation Performance Manager	Immediate (31 Dec 2013)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.5 Backdated claims</b>	Our testing of five backdated claims for the period April 2013 - September 2013 (49 successful claims in total) highlighted that for two claims, the detailed evidence to support the assessor's "good cause" decision had not been recorded on the IDOX system or on paper notes retained for the resettlement case in Kennedy House (1 claim) or on the Academy system for either.	Lack of audit trail.  Good cause decision cannot be readily supported.	3	It should be ensured that a complete audit trail exists on the IDOX and Academy systems to support all good cause decisions for backdated claims.	Agreed. One of the claims had been wrongly classified as a backdated claim by the system due to an input error whereby the date of the award of the claim was before the date of the claim.  The other claim had been assessed correctly but the evidence to support the decision had not been retained. Staff were reminded on 3 December 2013 of the need to evidence the decision and a Backdate Decision Form has now been introduced which requires supporting evidence to be recorded.	Jacky Griffith Welfare and Taxation Performance Manager	Implemented

**System Control Objective 3: All relevant records and accounts are accurately updated in a timely manner to record all benefits transactions (including reconciliations to feeder and other systems).**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>3.1 Reconciliations - Preparation and Review</b>	<p>Our review of the reconciliations for the following systems:</p> <ul style="list-style-type: none"> <li>Academy Payments to the General Ledger (Integra);</li> <li>Academy Housing Benefits to Orchard Rent Accounting System;</li> <li>Academy Council Tax Support To Council Tax System</li> </ul> <p>for the months of May 2013 and September 2013, highlighted the following:</p> <ul style="list-style-type: none"> <li>There was no review of the reconciliations;</li> <li>The name of the preparer is not stated for the September 2013 reconciliations (although the newly appointed Finance and Subsidy Officer confirmed it was her);</li> <li>The name of preparer and dates of preparation were not recorded for the May 2013 reconciliations;</li> <li>a mixture of spreadsheet prints and screen prints are used for presenting the reconciliations but the system sources and dates of balances used in the reconciliations cannot be readily confirmed;</li> <li>there are unexplained reconciling differences for five of the six reconciliations;</li> </ul>	Anomalies / irregularities not detected and corrected in a timely manner.	2	<p>a) The Finance and Subsidy Officer should be properly trained and supported to undertake the preparation of the monthly reconciliations of the following systems:</p> <ul style="list-style-type: none"> <li>Academy Payments to the General Ledger (Integra);</li> <li>Academy Housing Benefits to Orchard Rent Accounting System;</li> <li>Academy Council Tax Benefits To Council Tax System;</li> </ul> <p>b) The presentation of the reconciliations should be reviewed to ensure the clear recording of which systems are being reconciled, the dates and balances from those systems being used (with hardcopy prints from the systems to support this). Reconciling differences should be clearly highlighted and investigated and resolved.</p> <p>c) All monthly reconciliations should be signed and dated by the preparer.</p>	The Benefits Section is currently undergoing a restructuring exercise. This will result in changes in staff responsibilities from April 2014. In the meantime to address the audit findings reported, the audit recommendations will be actioned with immediate effect.	David Coe Welfare and Taxation Support Services Manager	31 Dec 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<ul style="list-style-type: none"> <li>the recently appointed Finance and Subsidy Officer stated that she is following what was done previously and has no time to investigate reconciling differences;</li> <li>The WTSSM is responsible for reviewing the reconciliations as he is the line manager for the Finance and Subsidy Officer as opposed to WTPM who leads the Benefits Section.</li> </ul>			<p>d) All monthly reconciliations should be reviewed by the Welfare and Taxation Performance Manager and not the Welfare and Taxation Support Services Manager.</p> <p>(We have already reported in our recently issued final report relating to Business Rates (November 2013) about updating the Monthly Reconciliations Procedures which we highlighted was pertinent in view of the recent appointment of the Finance and Subsidy Officer.)</p>			

**System Control Objective 4: All payments and associated output are timely, recorded securely and data protected against unauthorised access.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>4.1 Changes to payee bank details</b>	<p>It was noted that there is no control process in place that aims to identify and review any changes made to claimants bank details within the Academy system to which housing benefit payments are made. Although there are random checks performed upon new claims, if bank details are subsequently amended there is no way of identifying if the amendment is legitimate or not.</p> <p>(Previously reported in our 2012/13 report.)</p>	Housing benefit payments are diverted to personal bank accounts.	3	<p>Management should enquire as to whether a weekly report can be generated from Academy to identify any amendments made to existing claimants bank details. This report should be independently reviewed and supporting documentation made available for the amendments made by assessors.</p> <p>Additionally it may be considered useful to introduce a procedure whereby an assessor cannot make changes to the bank details of claimants who are in their work portfolio. In such instances all change of claimants bank details notifications could be notified to the WTPM who could allocate the changing of the details to a different assessor.</p>	<p>The Benefits Section is currently undergoing a restructuring exercise. This will result in changes in staff responsibilities from April 2014. In the meantime to address the audit findings reported, the following actions will be taken:</p> <p>Since it has now been confirmed that the Academy System report "Event Log CR4022" provides an audit trail of changes (including bank detail changes) to claimant details, weekly reports will be produced for review of bank details changes. The production and review of this report will be communicated to benefit assessors.</p>	David Coe Welfare and Taxation Support Services Manager	31 Dec 2013

**System Control Objective 5: Overpayments of benefit are identified and accounted for in accordance with legislation/regulations, the organisation's policy, standing orders and financial regulations, and recovery (and where non-recoverable, write off) arrangements are efficient and effective.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>5.1 Overpayments Policy - Debt recovery profile and write off limits</b>	<p>The Council has recently introduced a new debt recovery profile which became effective from 9 October 2013 but this new profile is not yet reflected in the Overpayments Policy or the Corporate Debt Policy (2012). Further the write off limits in the Overpayments Policy are not consistent with the revised Financial Regulations differing in relation to amounts and authorising officers.</p> <p>(The updating of these limits for consistency between the Corporate Debt Policy and the Financial Regulations has already been reported in our 2013/14 Debtors report).</p>	Incorrect procedures / processes could be followed.	3	The Overpayments Policy and the Corporate Debt Policy should be updated to reflect the newly introduced debt recovery profile and to reflect the authorisation limits and officers as per the revised Financial Regulations for the write off of debts.	Agreed.	Andrew Kupusarevic Interim Head of Customer Services	31 Mar 2014

Review	Summary	Level of assurance				
Treasury Management	This audit examined key controls regarding the Council's arrangements for administering and accounting for investments and borrowing. A Significant Assurance Opinion was provided, with 2 medium level, and 2 low level, recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective		Level of Assurance				
		Full	Significant	Moderate	Limited	No
1.Investments are properly accounted for in accordance with current legislation and governing instruments, within a written policy agreed by the Council.			✓			
2.All expenditure on investments is properly authorised and reconciled to bank.			✓			
3.Investment performance and compliance with Prudential Indicators is effectively monitored.		✓				
4.All investment records are physically secure.		✓				
5.All long term borrowing and short term borrowing, including PWLB is authorised by the s151 Officer or nominated officer and is set out in written financial instructions.		✓				
6.A detailed register of loans is maintained which records interest and repayment terms for all loans.			✓			
7.Outstanding loans & loans repaid are readily identifiable and regularly reconciled to bank/control accounts.			✓			
8.System and control procedures and relevant management reports and other information are kept under regular management review.		✓				
9.The accounting system ensures that accurate accounts can be prepared.			✓			

The 2 medium level risk issues and management's response are set out below:

## System Control Objective 2: All expenditure on investments is properly authorised and reconciled to bank.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>2.1 Reconciliation of investment expenditure to the General Ledger</b>	<p>We tested to ensure that monthly reconciliations of the investment expenditure account to the General Ledger for the three investments that had been made for the year to date (April 2013 -October 2013 had been prepared and reviewed in a timely manner. This highlighted the relatively late preparation and review of two reconciliations - the June 2013 reconciliation was prepared and reviewed on 30 July 2013, the July 2013 reconciliation was prepared and reviewed on 22 August 2013. Further the October 2013 reconciliation had not yet been prepared and reviewed as at 27 November 2013.</p> <p>We would normally expect reconciliations to be carried out by 10 working days after month end; we acknowledge that Council procedures aim to ensure that reconciliations are done by 21<sup>st</sup> of the following month.</p> <p>Similar findings were reported in 2012/13.</p>	Errors and or anomalies not detected / actioned in a timely manner.	3	It should be ensured that the monthly general ledger and investment expenditure account reconciliations are undertaken in a timely manner – ideally by 10 working days after the period end, but at least to comply with the Council's own procedures requiring this to be done by 21 <sup>st</sup> of the following month.	Continuing efforts are being made to ensure that the reconciliations are prepared and reviewed by the 21 <sup>st</sup> of each month.	Chris Raymakers Principal Accountant	Implemented (30 Dec 2013)
<b>2.2 Investment decisions-comparative rates of return</b>	Our testing of the three investments made in the year to date highlighted that the comparative rates of return from similar counterparties at the time of the investments had not been retained by the Principal Accountant to support that the investment decision was the right one.	Cannot readily support the competitive nature of the investment decision.	3	The comparison data of other counterparties used in investment decision making should be retained.	Proper stewardship of the Council's funds is of upmost importance and since in recent years the volume and values of treasury management transactions have been relatively low and so has the number of recognised financial institutions being used. Nevertheless an audit trail will be evidenced of the institutions and factors considered when treasury management decisions are made.	Chris Raymakers Principal Accountant	Implemented (31 Dec 2013)



## 4. Recommendation tracking

CW Audit Services has implemented 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. CW Audit Services provided a further training session for managers on the system in September.

An update for the Committee is provided below. This refers to all actions agreed and due by 31/12/13 which were carried forward into 2013/14 as not previously reported as actioned. The first table below represents the status of agreed actions due to be implemented by 31/12/13, 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 have verified the status.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 31/12/2013	-	3	69	32	104
Implemented	-	2	38	24	64
Closed (effectively implemented or system changed)	-	-	1	1	2
Still to be completed	-	1	30	7	38

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	1	14	2	17
3 – 6 months	-	-	3	1	4
Greater than 6 months	-	-	13	4	17
Total	-	1	30	7	38

The 1 high priority issue is very recent, arising from our Business Rates review reported on this agenda (due 31/12/13).

The most recent status known in relation to the 14 medium priority issues greater than 6 months old is as follows:

\*the table below refers to management updates except where specifically stated to be drawn from Internal Audit's own follow-up work.

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
12/13 Disabled Facilities Grants	<u>Schedule of Rates</u>  To ensure that estimates for work are reasonable, consideration should be given to producing a schedule of rates against which estimates should be compared and where the lowest quote includes cost elements in excess of 'approved' rates within the schedule, using these as maxima for grant aided funding.	3	Agree – consideration will be given to the feasibility of devising an approved schedule of rates.  28/9/12 – Anita Pathak Mould, Head of Community	Generally for this and the following recommendations relating to Disabled Facilities Grants (DFG) a comprehensive review is underway of the whole of the Disabled Facilities Grant (DFG) service. A report was taken o Service Delivery Committee on 14 January 2014 on progress to date and a further update report will be taken to the next meeting of that committee

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
				<p>in March.</p> <p>In relation to this specific recommendation whilst a schedule of rates can be progressed for grants for Council owned property, it could only be on a limited basis for private sector grants as the applicant ultimately has the choice of builder . This is being looked at as part of the comprehensive review and analysis of costs.</p> <p>Revised implementation date: 30/6/14</p>
12/13 Disabled Facilities Grants	<p><u>DFG Consultant</u></p> <p>In the short term, the terms of engagement for the DFG consultant should be reviewed and updated where necessary to give greater clarity and certainty around cost, i.e. should include maximum monthly and annual fees and how the fees are to be calculated, and these should be complied with.</p> <p>Going forward, the Council should consider market testing the service provided by the consultant to gauge whether better value for money could be obtained from other possible providers of such a service in the</p>	3	<p>Agreed – a new service level agreement will be formulated and agreed with the existing DFG consultant to properly control the existing working arrangements.</p> <p>Agreed – the Council will undertake research into the possible methods of service delivery for DFG support. Will assess these options in terms of</p>	<p>This element of the service has been reviewed which has identified that savings can be made by bringing the service in-house. This will take effect as from 1 April 2014 following the required notice period being given to the consultant. Arrangements will be in place in-house to ensure the segregation of duties for the scheme to ensure transparency in the process</p> <p>Implemented</p>

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
	current market. Other options could include a Home Improvement Agency, in house provision or potential for a shared service approach.		value for money and identify the appropriate method that meets the Council's long term needs.  29/3/13 – Anita Pathak Mould, Head of Community	
12/13 Disabled Facilities Grants	<u>Monitoring and reporting</u>  The monitoring and reporting requirements set out in the Private Sector Housing Renewal Policy (PSHR) should be complied with.	3	Agree – as part of the review of the PSHR, the monitoring and reporting requirements will be reviewed. Appropriate monitoring and reporting standards will be incorporated into the revised Policy which will be presented to Committee for approval.  29/3/13 – Anita Pathak Mould, Head of Community	A PSHR policy has been submitted to the PFD committee with standards of monitoring including. The actual reporting of the service expectations and delivery against that will be reported through the Community Customer Charter  Revised implementation date 1 April 2014
12/13 Disabled Facilities Grants	<u>Waiting Lists</u>  Consideration should be given to incorporating more detail into the Policy about how the priority system will work in practice. Senior management should consider whether implementing such steps is now an option that needs to be actively considered in policy terms, to balance budget and demands.	3	Agree – as stated the introduction of a priority system for progressing applications has not been necessary to date due to the small numbers of applications. However as financing DFG's becomes more difficult then a priority system may be needed to assist with managing applications. This can be considered as part of the review of the PSHR	As above, this is ongoing with the general overall review of the DFG scheme  Revised implementation date: 30./6/14

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
			Policy.  29/3/13 – Anita Pathak Mould, Head of Community	
12/13 Housing Options	<u>Policy and Procedures</u>  Management should ensure that policies and procedures are documented for housing options that govern the assessment, decision and referral for allocation of those presenting in priority need and also the administration of the rent deposit scheme.	3	Noted. I have been told that there are some procedures but accept that they need updating  Community Safety and Tenancy Manager with HoC 31/3/13	Audit update as at follow up of this review in July 2013 - We found that existing documents have been reviewed. A list of Policies is on the intranet including standard letters and checklists. Housing Options Procedures were approved by Policy, Finance and Development Committee in April 2013. No formal policy was found to be in place for administration of the rent deposit scheme – although a detailed guidance note had been developed. A formal policy is to be developed.
12/13 Housing Responsive Repairs	<u>Repairs Policies and Procedures</u>  Detailed policies and procedures should be put into place that cover all areas of housing repair responsibilities.	3	Agreed  Head of Community/ Interim Property Manager - 31/12/ 2012	Audit update as at follow up of this review in July 2013 -A number of standard forms have been introduced or updated e.g. relet inspection/monitoring form, form accepting responsibility for items left by former tenants, checklist for relet lock change visit. Work on reviewing procedures ongoing during 2014
12/13 Housing Responsive	<u>Orchard Job Orders</u>	3	Schedule of rates do exist but some uplifting is necessary	The uplifting of SOR in a structured way will be part of the

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
Repairs	The housing repairs team should consider implementing a schedule of rates (SOR) that can be used when allocating typical works to contractors or where possible obtaining quotes prior to work being allocated.		and take opportunity to consult contractors in readiness with the Orchard Interface currently under implementation  Interim Property Manager awaiting appointment – 31/12/12	Orchard implementation and upgrade. This implementation is now underway after some delay due to capacity whilst the new maintenance team was embedded. This will be completed by April 2014. In the meantime SOR are being uplifted for the most popular jobs scheduled and discussions with contractors commenced  – John Stemp, Community Property Manager
11/12 Corporate Governance	<u>Pest Control Service Review</u>  a) Management should report the financial benchmarking data that compares the service to other local Authorities in Leicestershire to the Senior Management Team and the Service Delivery Committee.  b) Management should also undertake a value for money review of the Pest Control Service to ensure that the Council is managing this area in the most economic and effective manner.	3	a) An annual report to Senior Management Team and Service Delivery Committee. - May 2012  b) A value for money review of the service will be undertaken. - March 2013  Anita Pathak Mould, Head of Community – 31/3/13	Report to Service Delivery in May reported on service performance. Value for money exercise not commenced and will form part of the wider review of this service. Benchmarking against other authorities comparatively, due to size of OWBC is not easy. Customer Charter in this service area is being considered and will form part of the overall review  Revised implementation date: 30/6/14
12/13 Creditors	<u>Reporting on changes to data</u>  Management should implement a	3	Agreed - to review in line with recommendation 1.1. An audit trail is available online if a	Appropriate Crystal reports will be sought from Integra. However, this needs to be

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
	report of amendments to standing data to enable review of such changes.		specific issue were to arise.  Paul Loveday, Finance Manager – 30/6/13	collated with other required reports and the budget still needs to be found. To be undertaken in March.  Revised implementation date: 31/3/14
12/13 Creditors	<u>Review of changes to data</u>  Management should implement an independent review of changes to standing data/masterfile, including those referred to here.	3	Constraints on the organisation will not always allow this at the moment due to staffing levels. However segregation is being observed wherever possible. Re-organisation of the department will be undertaken shortly where this will be addressed.  Paul Loveday, Finance Manager – 30/6/13	A restructure is still awaited. However, segregation continues to be observed where possible with extra controls being implemented as necessary.  Revised implementation date: 31/3/14
12/13 Main Accounting	<u>Segregation of duties</u>  It should be ensured that wherever segregation of duties cannot be achieved in the present circumstances management undertake increased supervisory checks to mitigate the ensuing risks.	3	Agreed  Paul Loveday, Finance Manager – 30/6/13	A restructure is still awaited. However, segregation continues to be observed where possible with extra controls being implemented as necessary.  Revised implementation date: 31/3/14
12/13 Risk Management	<u>Partnership risks</u>  An exercise should be undertaken to review all existing partnerships and projects to establish what risk	3	Agreed  Paul Loveday, Finance Manager – 28/6/13	Work will be undertaken by Heads of Service in March to identify partnerships.  Revised implementation date:

Review	Recommendation	Risk Rating	Response/proposed implementation date	Most recent status per management update*
	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.			30/6/14
12/13 Risk Management	<p><u>Assurance on operation of controls</u></p> <p>Assurances on controls that are recorded on operational and strategic risk registers should be more closely mapped to the relevant risk registers.</p> <p>Internal audit reports will in future highlight the strategic and operational risks that assurance is being provided on</p>	3	<p>Agreed that the risk implications box on all reports will be updated to ensure that assurances against risks are noted as well as the risk that is addressed, In addition, it has been agreed with Internal Audit that links to Corporate Risks will be included on all reports.</p> <p>Paul Loveday, Finance Manager – 28/6/13</p>	<p>This is now largely happening on reports but needs to be further reinforced.</p> <p>Revised implementation date: 31/3/14</p>
12/13 Risk Management	<p><u>Integration with performance management system</u></p> <p>The Council needs to draw up a clear specification to identify the requirements for the integrated risk and performance management system. A timeline for delivery of the system also needs to be established.</p>	3	<p>In view of budgetary constraints the bid was not considered to be as high a priority when evaluated against competing bids as with the risk management IT funding will continue to be reviewed and alternative ways of embedding performance management will be explored</p> <p>Paul Loveday, Finance Manager – 28/6/13</p>	<p>This still needs further discussion. Whilst under consideration manual systems continue to operate.</p> <p>Revised implementation date: 30/6/14</p>



## 5. 2013/14 Internal audit plan

Review	Scheduled	Status	Level of assurance
Housing Rents	May 2013	Final report issued	<b>Significant</b>
Housing Repairs and Maintenance – Responsive Repairs Ordering	May 2013	Final report issued	<b>Significant</b>
Housing Options / Homelessness	May 2013	Final report issued	<b>Significant</b>
Void Property Management	May 2013	Final report issued	<b>Significant</b>
Planning Control	Oct 2013 start	Draft report issued/imminent	
Transport – Vehicle Repairs Ordering and Management	Sept 2013 start	Draft report issued/imminent	
Income Management and Cash Receipting	Sept-Oct 2013	Final report issued	<b>Significant</b>
Debtors	Oct 2013	Final report issued	<b>Significant</b>
Business Rates	Oct/Nov 2013	Final report issued	<b>Significant</b>
Benefits	Oct/Nov 2013	Final report issued	<b>Significant</b>
Creditors	Nov 2013	Draft report issued/imminent	
Treasury Management	Nov 2013	Final report issued	<b>Significant</b>

Review	Scheduled	Status	Level of assurance
Council Tax	Dec 2013	Draft report issued/imminent	
Member Services (including Allowances)	Dec 2013/Jan 2014	In progress	
Main Accounting	Dec 2013	In progress	
Town Centre / Economic Regeneration	Jan/Feb 2014	Scoping	
Risk Management	Jan – Mar 2014	Scoping	
Budgetary Control	Jan- Mar 2014	In progress	
Health and Safety	Feb 2014	Scoping	
Payroll and Expenses	Feb 2014	Scope agreed	
Legal Services / Corporate Legal Compliance Arrangements	April/May 2014	Rescheduled at management request	
Corporate Governance		Scope under discussion with management team	
Greening the Borough		Now to be covered as part of 2014/15 audit plan	
Capital Projects		Now to be covered as part of 2014/15 audit plan	
LCTS / Welfare Reforms Implementation		To be dropped from plan by agreement with management	
Commercial Asset Management		To be dropped from plan by agreement with	

Review	Scheduled	Status	Level of assurance
		management	
Leisure Centres / Leisure Development		Now to be considered for 2014/15 audit plan	
Capital Accounting		To be dropped from plan by agreement with management	
Additional review: Equalities	April/May 2014	Scope agreed	
Additional review: Planning Policy	Feb 2014	Scoping	
Additional follow up: Housing Repairs, Voids and Housing Options	March/April 2014		
Additional review: Human Resources	March 2014	Scope agreed	
Additional review: Policy into Practice (to be delivered as an additional element of budgetary control review)	Jan-Mar 2014		