

AUDIT MONITORING REPORT: QUARTER 4 2012/13

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1.0 INTERNAL AUDIT WORK COMPLETED IN 2013/14 RE 2012/13 PLAN

1.1 As reported to the Audit and Governance Committee on 22 April 2013 there were some reviews that were at either draft stage or work in progress at 31 March 2013. The following reports relating to 2012/13 have now been concluded and final reports issued:

- Risk management
- Debt management
- Budget management/savings

In addition the implementation of an agreed action to introduce independent checks on payroll was tested and found to be operating effectively. As a result the audit assessment for payroll has been updated to Good.

1.2 Assurance on System Controls

The overall evaluation of the system controls is set out below together with a summary of audit conclusions and any key recommendations.

1.2.1 Risk management

OVERALL AUDIT OPINION	GOOD
CONTROL DESIGN	GOOD
CONTROL EFFECTIVENESS	SATISFACTORY
RISK EXPOSURE PROBABILITY	MEDIUM
RISK EXPOSURE IMPACT	HIGH

This audit concluded that risk management arrangements have improved in 2012/13 and progress has been made on implementing the agreed action plan arising from the previous year's audit.

The Risk Management Strategy was reviewed and updated in January 2013 and is to be further revised to reflect the current revised reporting practice. Once complete this will be reported to the Executive.

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The Council's original and updated Risk Management Strategy both state that *"The Strategic Risk Register will be reviewed on a quarterly basis by Corporate Team with a monitoring report to Overview and Scrutiny Committee on a 6 monthly basis"*. Audit checks confirmed that the Corporate Leadership Team (CLT) do monitor risks on a quarterly basis, however, there was no evidence that the Overview and Scrutiny Committee (OSC) had received any reports on risk in 2012/13. This was discussed with the Head of Policy & Transformation and the Overview & Scrutiny Officer who confirmed that the work plan for OSC for 2013/14 will include an overview of risk as set out in the Risk Management Strategy. The Strategy also requires that major risks are identified for projects and these are monitored via the quarterly performance report to Executive.

The Executive agreed the Council's approach to Risk Management and the revised Strategic Risk Register in October 2012. The Audit and Governance Committee considered reports on Strategic Risk Management at its meetings in June 2012, October 2012 and January 2013. Reports will continue to be presented to this Committee on a quarterly basis so that Members are kept aware of key risks and how these are being managed.

Risks are discussed at Departmental Leadership Team (DLT's) meetings and feed into the Top 3 facts [a new initiative that requires each service area to provide the top facts for their area – this could be a mixture of achievements, projects, issues, risks etc.]. Risks identified as part of this process are then reviewed by CLT and a decision made as to whether to add these to the Strategic Risk Register. Changes are tracked through the Strategic Risk Register and reported to Audit and Governance Committee. If there have been changes to base line risks or additional risks have been identified during the year these have not always been reflected on Covalent at service level, however CLT proactively monitor. Triggers have not been set for Managers to prompt them to update Covalent; however, The Performance & Transformation Officer is going to set them so that Managers are reminded to update their risks. Managers will be advised that if there are no changes just to write a comment reflecting this to provide an audit trail.

Following 2013/14 service planning and risk identification, the risk scoring mechanism will be standardised so operational risks are scored on the same basis as strategic risks. A section on risks will also be incorporated into quarterly performance monitoring.

Departmental/Operational risks identified on all service plans for 2012/13 were recorded on the Performance Management System (Covalent). Service Plans (including risk sections) are reviewed by Heads of Service and ratified by CLT. There is evidence that these risks have been reviewed during 2012/13. Strategic risks are not monitored via Covalent, however, the Strategic Risk Register Word document has been uploaded onto the system.

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Risk Management training is now included as essential training in the Member Training and Development Programme for Councillors that are members of the Audit and Governance Committee. Training for members was carried out by Zurich in September 2012. The Leadership & Management Group along with Professional & Technical staff also attended a training session by Zurich.

Recommendations

The Risk Management Strategy should be refreshed and reported to Audit & Governance Committee and the Executive.

Strategy will be updated to reflect current revised reporting practice.

New Departmental/Operational risks identified during the year, individually, or through the Top 3 facts process should be added to Covalent so that they can be monitored effectively. Any risks that are no longer applicable due to actions taken should be closed on the Covalent System.

Covalent will be kept up to date from April 2013 onwards.

1.2.2 Debt management

OVERALL AUDIT OPINION	SATISFACTORY
CONTROL DESIGN	SATISFACTORY
CONTROL EFFECTIVENESS	SATISFACTORY
RISK EXPOSURE PROBABILITY	MEDIUM
RISK EXPOSURE IMPACT	HIGH

This audit was requested by the Head of Corporate Resources to assess current arrangements for managing debt and how systems and processes might be improved in light of increasing risks of bad debts. The review looked at debt management for Sundry Debtors, NNDR and Council Tax – all of which are administered for Copeland by the Recovery Section of the Revenues and Benefits Shared Service (RBSS). Benefit overpayments are managed separately by the Overpayments Officer within the Benefits Section of the RBSS but this area is outside the scope of this audit.

There are some differences in the approach to debt management across the RBSS however, alignment meetings across all three authorities are taking place to look at best practice. There have been no significant issues raised so far. The main difference is that Copeland is the only authority where the RBSS manages the recovery of Sundry Debtor invoices. At other sites (Allerdale and Carlisle) the Sundry Debt recovery function is managed by the respective finance departments.

Sundry debtors need to be more actively managed as there are a number of old debts which require decisions on next action or consideration for referral to debt collection agency or write off. Sundry Debtors procedures are currently being

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reviewed by the Finance Department and training sessions will be held when the review is complete (early 2013).

Legislative changes mean that from April 2013 NNDR write offs will have to be funded by the Council. Significant doubtful debts were reviewed pre 31 March 2013 and written off where appropriate. Management now need to ensure that potential NNDR doubtful debts are identified as early as possible and liaison will take place with the RBSS on information required to do this effectively.

Legislative changes have also been made to Council Tax benefit arrangements and from April 2013 discounts will be applied based on schemes agreed by individual councils. It is important that staff are aware of relevant local schemes and able to advise the public accordingly. Training has now taken place in RBSS but awareness will also be required in Copeland Customer Services.

Processes and structures in the RBSS will be subject to further review to ensure that debt is managed in the most effective way and some recommendations have been included in this audit report.

IT procedures to manually upload payments made via Allpay against debtors accounts will be documented. The Council will also consider introducing an Anti-Poverty strategy.

Recommendations

Re Sundry Debtors

Managers take a proactive approach to outstanding invoice debt. If debts are uneconomical to pursue [under £50] and all options to collect the debt have been previously exhausted they should be put forward for write-off.

Invoices that are categorised “further action to be decided” for a set period (e.g. 3 months), should be referred to the agent for collection.

Invoices that have been “in dispute” for a set period (e.g. 3 months), should be referred to a Senior Manager/Chief Finance Officer to either propose write-off or continue to pursue.

Sundry debtor training should be compulsory for all officers raising invoices. If training sessions are not attended, access to the system should be revoked until the necessary training has been completed

Re NNDR debt

Write-offs for NNDR debt should be considered before the end of March 2013 when the debt will fall to the Council.

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S:151 Officer should consider Copeland's strategy/approach under proposed new legislation and the current level of debt at Copeland.

Re Council Tax debt

Extra checks are made on the Academy system when Council Tax parameters are set for 2013/14 for the 3 authorities in the RBSS shared service.

Officers across the RBSS should be made fully aware of the Council Tax schemes that will be introduced and administered by each of the 3 authorities so that accurate information is given to customers when required.

General

Consider where in the structure the housing benefit officer should be placed.

Explore the idea of using a "common notes screen" so that Officers can access information in one place. Information could be collated that will show the history from all databases, e.g. Council Tax/NNDR/Housing Benefit/Sundry Debt.

The RBSS should address the mismatch in Recovery Officers across the RBSS so that work is evenly spread across the 3 sites.

Explore the idea of having a "job share" in-tray for part time workers, and ensure that mail is promptly redistributed if any Officer is on annual leave or absent through sickness.

Procedures are written and held on a shared drive within I T, so that, if required, any I T Officer can manually download Allpay files if required.

Copeland Council considers introducing an Anti-Poverty strategy that incorporates good practice guidelines in the collection of monies due and the administration of benefits.

1.2.3 Budget management/savings

Substantial Assurance was given because the current controls in place meet the required criteria.
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2012/13 budget monitoring

Throughout 2012/13, the Corporate Leadership Team (CLT) agenda had a standing Financial Report item and CLT received monthly budget monitoring reports from Financial Services. CLT also reviewed the quarterly monitoring reports prior to submission to the Executive. Quarterly monitoring reports are made to Executive for Revenue, Capital and Treasury Management, including annual Out-Turn reports, and

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these give updates on expenditure, estimated outturns, budget savings achieved, variances, etc.

The Medium Term Financial Strategy was approved by Full Council in Feb 2012 and an Update – Medium Term Financial Strategy Projections 2013/14 to 2016/17 report went to Executive on 09/02/13 after the announcement from government of the Government Settlement in December 2012.

There has been no specific monitoring against individual savings targets in 2012-13 but the forecast year-end position (as reported in the Revenue Budget – Period 10 Summary Monitoring Report 12/13) is for an under-spend of £918,492, however, the under-spend is partially due to windfall income from various sources.

Progress against individual savings targets will be monitored in 2013-14 and the Transformation and Programme Manager has confirmed that “The savings realisation from individual [2013-14] proposals will be monitored as part of the savings programme in the Change Programme Board. The figures will be incorporated in to the Total periodic budget monitoring process”.

Two recommendations have been raised with reference to the monitoring and updating of Covalent Actions and Risks for Financial Services and to budget holders fully participating in the periodic budget monitoring process.

2013/14 budget setting

The 2013-14 budget setting process has been undertaken with the requirement to achieve further budget savings as required by the national government’s continuing austerity programme (up to £2.6m to be found over the next two years) and with reference to the new localised Business Rates and Council Tax Support regulations. A review of the statutory, discretionary and business support functions was undertaken.

Due to the nature of the savings required Policy Development Groups were used to increase the number of Members involved in the budget setting process so that full consideration could be given of how the proposed savings would affect the Council’s policy priorities and business strategy.

A full public consultation exercise was undertaken during October – December 2012 and the responses were evaluated and reported to Full Council in February 2013, including a full risk assessment and equality impact assessment of the proposed service changes. The 2013/14 Budget proposals went to Executive 12/02/13 and then to Full Council on 21/02/13.

Assumptions underlying the budget build were reasonable (for example, pay increases, contractual price increases and general price rises, as well as income forecasts). A full review of fees and charges has been undertaken by departments and the Personnel Panel has reviewed and assessed the implications of the organisational changes resulting from the proposed budget savings.

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The Draft Capital Programme has been discussed by Capital Control and Working Group before being submitted to Executive and Full Council. Capital Bid spreadsheets are completed by managers and then assessed by means of a formal scoring system to rank and prioritise the capital bids as per the available budget.

Recommendations

Budget holders are reminded of the importance of fully participating in the periodic budget monitoring process and the requirement to forecast their budget positions.

The monitoring and updating of Covalent Actions and Risks for Financial Services needs to be appropriately re-assigned after the departure of Interim Technical Accountant.

1.3 Overdue actions arising from audit reports

1.3.1 These were reported in the standard quarterly report to the Audit and Governance Committee in April 2013 and will be reported again at the end of Quarter 1 (2013/14).

2.0 CONCLUSION AND RECOMMENDATION

2.1 It is recommended that Members note this report.

Background papers: None

Consultees: Corporate Leadership Team