AUDIT & GOVERNANCE COMMITTEE   25 June 2014
AUDIT MONITORING REPORT – completion of 13/14 plan

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1.0   INTERNAL AUDIT WORK COMPLETED IN PERIOD (April - May 2014)

1.1   This report summarises findings from 8 final reports issued in April – May 2014 relating to the 2013/14 audit plan. The previous progress report summarised final reports issued up to the end of April 2014.

       2013/14 - final reports issued in period
- Creditors (1.2.1)
- Business rates (1.2.2)
- Benefits (1.2.3)
- Council tax (1.2.4)
- Payroll (1.2.5)
- Budgetary control (1.2.6)
- Partnerships (1.2.7)
- Housing Options (1.2.8)

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. Key recommendations (Priority 1 and 2) and proposed management actions are shown beneath the relevant audit.

1.2.1 Creditors

Reasonable assurance
This audit reviewed the operation of the Council's creditors system which was found to be well controlled. Officers involved in the creditor payment process are aware of the updated Financial Regulations and Financial Procedure Rules and the current Scheme of Delegation

Controls are operating well, except that purchase orders were not always raised in advance where this would be expected. Not raising purchase orders in advance means that no expenditure commitment is recorded making budget monitoring less accurate. In addition a lack of documented purchase order does not allow for subsequent checking of delivery/provision of correct services/goods or price charged.

The Finance Department undertakes a monthly review of user access and permissions for creditor payments but there is currently no system for being informed of leavers from the Revenues & Benefits Shared Service [RBSS] who may continue to have access to the system after they have left the RBSS or moved to another role.

Two recommendations were agreed relating to contracts following the last audit and the agreed actions still need to be completed: The review of the Council's contracts register is well advanced (80% complete) but no arrangements have been put in place to monitor the total value of purchases made with individual suppliers. This means the Council may be at risk of inadvertently not tendering for work which may exceed its own value limits in Contract Standing Orders or EU Procurement Rules.

It was also noted that the Financial Regulations included in the Council's Constitution document were out of date and these need to be replaced with the latest [2012] version.

Recommendations

The Finance Department should formalise a procedure with the RBSS department. The procedure should ensure the Finance Department are informed of any staff changes that may affect access to the finance systems.
User list to be circulated to RBSS to confirm changes and included within review sheet.

The Financial Regulations on the Council's Constitution need to be updated so that the latest version [2012] is shown.
To be updated by 31 May 2014.

The Finance Department should reiterate to departments the importance of raising orders prior to receipt of goods or services supplied. Retrospective orders do not provide an accurate budgetary position for the department concerned.
Email to be circulated to clerks and LMG.

1.2.2   Business rates

Reasonable assurance
This audit reviewed controls over calculation and collection of business rates (previously known as non-domestic rates) which is carried out by the Revenues and Benefits Shared Service (RBSS).

The NNDR procedure manual was last amended in September 2011. To avoid Officers working to incorrect procedures the manual needs to be updated to reflect current practices as some information contained within it is now out of date, e.g. dates available for the collection of direct debits. After discussion re the accessibility of the manual to staff it has been agreed that the manual will be put on the shared drive at each site for ease of reference

The reconciliation of the total rateable value (RV) and the number of properties on the NNDR system to the Valuation Office Agency (VOA) 2010 rating lists was carried out in March 2013 and the Opening Debit for CBC agreed to the VO rating list.

Regular reports are received from Planning and Building Control departments at each site. The information is collated onto spreadsheets by the Rating Officers and these are the drivers for Inspectors. Different spreadsheets are used at CBC and CCC for recording information. It was not clear from either spreadsheet when and if inspections had been undertaken. This is an area that could be improved and aligned across the RBSS.

There were some delays noted, in that a property was due to be inspected in August 2013, the inspection did not take place and was not reassigned until the end of November 2013. Inspections should be allocated promptly, if the inspection is not carried out then the Inspector needs to record the reason why and make provision to inspect the property as soon as possible or reallocate to another Officer.

The Academy system parameters are updated annually using information from the NNDR Regulations and notifications from Government. The parameters are fed into the system by the Performance Team and checked for accuracy by the Revenues Manager. A signed file note is kept of changes made. There were no reported problems for the 2013/14 update.

A number of exemptions and reliefs are available, e.g. transitional relief, empty relief, small business rate relief etc. For the cases reviewed all actions were found to be appropriate and exemptions/reliefs were awarded in line with the set guidelines. 1 request for partly occupied relief did not appear to be actioned in a timely manner. Officers should ensure that prompt action is taken to notify VO of any amendments required. This will ensure there are no undue delays for the customer and amended bills can be issued promptly.

Management checks are in place to ensure that demand notices and issue comply with legislation and any new requirements. Checks are made by the Revenues Manager and the Revenues Team Leader for CBC. From tests carried out we confirmed that all demand notices were issued on time.

The suspense account is checked and cleared regularly and amounts allocated to the appropriate accounts and systems. Reports are produced and reviewed of all accounts with credit balances. Refunds are run weekly and reports to show refunds made are copied onto the CBC Intranet. There is currently a project underway for all reports ran at CCC to be held on a shared drive. This will improve access for staff.

Reconciliations are undertaken to agree income collected and refunds made. The CBC cash receipting system is also reconciled to the Academy NNDR system. All reconciliations are carried out regularly and were found to be up to date.

Performance is monitored on a monthly basis and targets, based on previous achievements and consideration of areas of challenge and improvement, have been used to assess performance levels. Targets are determined by the Service Management, in agreement with the Joint Operational Board and reviewed and updated annually.

Appropriate recovery action is taken promptly and accurately in relation to those accounts that fall into arrears. The Taking Control of Goods (Fees) Regulations 2014 is effective from 6 April 2014. The new legislation relates to bailiffs and the measures are designed to:

- protect the public
- prevent bailiffs from taking basic household items
- ban bailiffs from entering homes at night

Bailiff recovery processes are in the process of being aligned between the 3 districts within the RBSS.

Councils now bear the full cost of NNDR write-offs up to the value of the safety net, (a maximum £165K "loss" in any year). However, procedures do enable written off debts to be reinstated should the ratepayer subsequently return to the area in "gone away" cases. For the sample of write offs reviewed it was confirmed that they were in accordance with relevant Financial Regulations.

Recommendations

The NNDR Office Procedure Manual should be reviewed to ensure it reflects current practices within the RBSS.

Spreadsheets used to record information received from planning/building control should include sufficient detail when inspections have been carried out. The RBSS should also take this opportunity to align the process across the shared service.

Inspections should be allocated promptly, if the inspection is not carried out then the Inspector needs to record the reason why and make provision to inspect the property as soon as possible or reallocate to another Officer.

Officers should ensure that prompt action is taken to notify VO of any amendments required.

The Revenues Manager undertook to implement all recommendations by 31 May 2014.

1.2.3   Benefits

Reasonable assurance

This audit reviewed controls over specific risks identified in the administration of Housing Benefit and Local Council Tax Reduction Scheme which is carried out by the Revenues and Benefits Shared Service (RBSS).

The main areas of the review were the operation of the "Next Mail" arrangements for receipt, distribution and processing of incoming mail (a key part of achieving

benefit claim processing time targets); HB payments made have been assessed and paid in accordance with legislation and local arrangements; and new processes and systems implemented for Local CTRS introduced in April 2013 are operating in accordance with legislation and expected procedures.

The key issues arising from this review were as follows:

Scanning and Indexing

Internal audit testing of Housing Benefit and Local CTRS new claims and change of circumstances highlighted occasions where the evidence held was not always legible and on other occasions the documents had not always been indexed to the correct process. Based on these findings:

- there is a need to prepare and issue approved formal procedures to the staff involved in scanning and assessment supporting documentation to ensure that the expected practices surrounding the scanning and indexing arrangements in place and how it should be performed is clearly defined; and
- approved procedures should also ensure that the arrangements comply with the RBSS's Data Quality Policy, Data Retention Policy and that the decision making process is consistent when indexing documents to the correct process.

Updated Guidance for Staff

Internal audit testing highlighted 5 out of 28 housing benefit assessments (4 new claims and 1 change of circumstances) had been completed without having complete supporting information ie proof of identity, up-to-date independent benefit information and one had been incorrectly indexed as a new claim instead of a change of circumstances. Based on these findings there is a need to re-issue guidance to staff on housing benefit new claims, change of circumstances assessments and the supporting documentation requirements to process and payment.

Recommendations

1. **Formal procedures should be prepared and issued to the staff involved in scanning and indexing assessment supporting documentation for processing detailing the expected practices on how:**

   - **the quality of the scanned images meets the criteria of the RBSS's Data Quality Policy;**
   - **the scanning batch process is completed, reconciled and how any checks are evidenced;**
   - **the destruction arrangements of original documents meets the RBSS's Data Retention Policy;**
   - **index processes, their priority level and target days are approved and any amendments are approved.**
   Procedures should be reviewed and approved by management.

2. **Benefit staff should be re-issued with guidance on the completion of new claim assessments in terms of the supporting documents, in particular:**

   - **proof of identity should be obtained and evidenced in accordance with benefit guidance on the intranet;**

   - **up-to-date proof of benefit entitlement ie DWP CIS print should be obtained and evidenced;**
   - **outstanding actions to be followed up should recorded on the control sheet and cleared and evidenced.**

   The Benefits Manager undertook to implement all recommendations by 30 September 2014.

1.2.4   **Council Tax**

Substantial assurance

This audit reviewed controls over the administration of Council Tax which is carried out by the Revenues and Benefits Shared Service (RBSS). There was a specific focus on controls over recovery and enforcement activities as these were seen as higher risk, particularly in the current economic climate.

The Council Tax (CT) key controls have been found to be well designed and operating effectively in relation to the areas tested.

The reconciliation of the total rateable value and the number of properties on the CT Academy system to the Valuation Office Agency (VOA) 2010 rating lists was carried out in March 2013 as part of the annual billing process. VOA notifications have also been actioned in a timely manner and are up to date. The Academy system has been correctly updated to reflect 2013/14 CT rates for each relevant Parish and property band.

Financial reconciliations have been carried out between the Council's cash receipting system, main financial system and the CT Academy system. This key control ensures that income relating to CT is posted correctly to the Academy system.

Performance is monitored on a monthly basis and targets, based on previous achievements and consideration of areas of challenge and improvement, have been used to assess performance levels. The collection rate is regularly monitored and these are in line with expectation and previous years.

Internal Audit testing was focused on controls over recovery and enforcement activities and sample testing of CT arrears found that reminders had been issued promptly, there were no undue delays between each stage of recovery and adequate recovery action has been taken. The recovery process and the performance of Bailiffs had also been adequately monitored and reviewed.

Each of the councils within the RBSS participates in the National Fraud Initiative data matching exercise. This is to identify cases where Single Person Discount (SPD) has been wrongly claimed. Results from the last completed exercise did not identify any major concerns. The latest matches were recently released to the RBSS to review and follow up.

Each of the councils within the RBSS is appropriately registered with the Information Commissioner and the registration is renewed annually. RBSS staff are aware of the requirements of the Data Protection Act.

Recommendations
None

1.2.5   Payroll

Substantial assurance
This audit reviewed controls operating for the Sage payroll system. This included policies and procedures, arrangements for starters and leavers; accuracy of payments and payroll deductions; variations to pay; payroll processing; reconciliations; data security; and fraud prevention/detection controls.

The Payroll payment process was found to be well controlled. Controls are operating well and monthly independent checks are carried out to ensure the accuracy of payroll transactions.

Recommendations
None

1.2.6   Budgetary control

Reasonable assurance
This audit reviewed controls over budget management and calculation & monitoring of savings. Although current controls in place are effective, issues remain with some managers not fully participating in the monthly budget monitoring process; the recording of Financial Services Key Performance Indicators on Covalent; and the use of the Savings Tracker spreadsheet to monitor the achievement of savings proposals during 2013/14. The first two of these issues were agreed for action following the previous audit but have not yet been fully implemented.

The 2014-15 budget setting process duly took into account required savings and acknowledged the substantial risks of delivering these and the need for radical change in service delivery. Policy Development Groups have continued to be used to increase the number of Members involved in the budget process so that full consideration is given to how the proposed savings would affect the Council's policy priorities and business strategy. The Change Programme Board has been established

to provide governance and accountability for the delivery of both the Savings Programme and the Change Programme.

There remains an issue with managers not fully participating in the monthly budget monitoring process carried out by Financial Services. However, this issue has been duly reported to CLT and steps have been taken to directly monitor and resolve this issue. As such, a recommendation has not been raised again on this matter.

The reporting of Financial Services' Key Performance Indicators on Covalent has not been accurate because the actions show as outstanding even though they have been implemented. It is important that Covalent is updated regularly as this is the main information source for performance management.

The Savings Tracker spreadsheet, as implemented by the previous Transformation Programme Manager, to record and monitor the achievement of the proposed 2013/14 savings, has not been maintained on an up-to-date basis. For example it did not accurately reflect issues in relation to the underachievement of income targets. If this spreadsheet is to be used as a monitoring tool then it is important that it reflects the up to date position. However, Financial Services independently monitor the position of the savings as part of the monthly budget monitoring process and this acts as a supplementary control.

Recommendations
The Savings Tracker spreadsheet is brought up to date to accurately reflect the achievement of the proposed savings.
The Interim Transformation Programme Manager has confirmed that monthly meetings with Financial Services will take place to review the budget position from an accounts perspective from July 2014. The Savings tracker will be updated monthly as part of this exercise. These figures will then be reviewed each month at the Change Programme Board.

1.2.7   Partnerships

Partial assurance

This audit reviewed governance arrangements for partnership working. This is an important area as partnership working is a key part of the Council's future operating model.

Partial assurance was allocated because the Financial Regulations and Financial Procedure Rules state that a key control for Partnerships is the Council's Framework for Partnership Working, however Internal Audit has been unable to obtain a copy of the Framework to review.

The supporting documentation for the Partnership register, the Partnership Significance Assessment Scorecard assessments, contains various data quality issues

and does not have any documented supporting evidence to explain the scores given to the various risks.

Also 40% of the sampled partnerships Terms of Reference / Partnership Agreements are not held centrally for reference and so governance arrangements for those partnerships cannot be clarified.

Recommendations

A centralised register of Operational Partnerships is compiled to provide a complete picture of the Council's current partnership arrangements.
The Head of Customer & Community services will work with Leadership and Management Group (LMG) to enable a full list of operational partnerships to be produced and verified using the partnership significance and local factor assessment card. To hold this list as a central register within the Council available on the intranet to all staff.

The Framework for Partnership Working should be made available on the Council's intranet for use by Managers.
The Head of Customer & Community Services to put the Framework for Partnership Working on the Council's intranet.

The incorrectly scored Partnership Significance Assessment Scorecards should be noted to reflect the correct scores which have been recorded in the Partnership register.
The Head of Customer & Community Services to check all the scorecards data against the Partnership register, note any errors and correct the scorecards on file. A short report to be taken to CLT as part of the quarterly partnership and risk management activity.

Supporting reasoning for the impact scoring should be recorded to allow for independent assessment of the scoring.
1 To add an additional element of recording space to the Scorecard to enable reasoning to be briefly explained including appending any relevant documentation to support the scoring to be put on file with the scorecard for independent verification and evidence for CLT to investigate if required.
2 To use this amended scorecard in the 2014 strategic partnership review.

The Assessed By and Independent Assessor signatures should be recorded to verify that the impact scoring has been undertaken by the most appropriate Officer and that the scoring has been independently verified.
1. *To revisit all the scorecards to ensure the assessment signatures for the 2013 review are provided.*
2. *To revisit the independent verification and ensure signatures are provided where verification took place.*
3. *To set out in the 2014 and future reviews a list of verifiers for each partnership to ensure all scorecards are verified.*

The Partnership Assessment October 2013 register spreadsheet should be reviewed to ensure that the data is accurate and complete.

1. *To correct all data from existing 2013 review scorecards and identify any gaps where scorecards are not available or have not been completed and gather in any outstanding data and amend the register.*
2. *To ensure that the 2014 strategic partnership review puts particular focus on filling any assessment gaps from the 2013 review.*

Terms of Reference / Partnership Agreements for all the strategic partnerships should be held centrally for reference.

1. *A task will be given to obtain signed copies of all the partnership documents which have been through the Council's Executive for approval.*
2. *Copies shall be obtained for those partnerships for which we do not currently hold terms of reference centrally. These will be held centrally electronically and in a paper file.*

1.2.8   Housing Options

Partial assurance

This audit reviewed controls over the Council's Homelessness Strategy, in particular that Homeless and Housing Strategies are documented, approved and include clear objectives; Performance Monitoring; and Record Retention and Security. A specific risk identified by the service manager was the operation of the Rent Deposit Scheme so this was also reviewed.

The Homelessness Act 2002 requires every Local Housing Authority to formulate a Homelessness Strategy every five years to coordinate activity and allocate resources. The 5 year Copeland Homelessness Strategy 2013-2018 was approved by the Executive in October 2013 after previous consideration by the Strategic Housing Panel in September 2013.

The Strategy sets out the future actions that will be taken in Copeland to tackle homelessness. The Strategy has been formulated using the conclusions from a review of homelessness in Copeland which was undertaken from May to July 2013. The action plan will be revised annually. Actions are monitored within the framework of the overarching Housing Strategy.

The Copeland Housing Strategy and the Copeland Homelessness Strategy both set out key objectives and these are monitored on Covalent in line with the Performance Management Framework (PMF).

The previous Homelessness Strategy 2008 – 2013 was approved by the Executive in August 2008. The Executive asked the Strategic Housing Panel to monitor progress on the Delivery Plan, however, audit checks revealed that the Homelessness Strategy Delivery Plan was only an agenda item once during the five year period (2008-2013), and this was in August 2009. The Copeland Homelessness Strategy 2013-2018 sets

out how performance against the Strategy will be managed and it is important that this is followed to ensure actions in the Delivery Plan are achieved.

The Council operates a Rent Deposit Scheme and this is one of a number of prevention measures that Homeless Options can use. The scheme is available to clients with a local connection to Copeland, who are homeless or are threatened with homelessness and do not have the resources to provide a deposit for a private rented property.

The scheme has not been administered efficiently or effectively and a large number of errors were identified during this audit review. Controls need to be put in place to ensure the effective operation of the scheme and the newly appointed Senior Homeless Options Advisor is to make this a priority. It is imperative that the scheme is implemented appropriately going forward to ensure that there are adequate funds available for future requests for help from the most vulnerable in the Copeland district.

Homelessness Case Files containing personal information are not always locked away at the end of the working day. There is also a box of files waiting to go to archive. To ensure the safety and security of personal and often sensitive data held within the homelessness department case files it is vital that the files are stored securely. Data held electronically on the database is held securely as an individual log in and passwords are required for entry onto the system. GCSX email is used whenever sensitive information is being discussed with outside organisations, e.g. Multi Agency Risk Assessment Conference (MARAC).

The Housing Services department Business Continuity Plan (BCP) is out of date as it includes the contact details of Officers that have left the authority. It is important that all BCP's are regularly reviewed, especially after staff / systems / operational changes. There is a risk that, if the need arises, the key staff cannot be contacted if the changes have not been recorded.

Recommendations

The Copeland Homelessness Strategy 2013-2018 is monitored and reported regularly to members to ensure progress against actions in the Delivery Plan is met.
Housing Services Manager will ensure that Action Plan and progress is reported to Strategic Housing Panel quarterly.

Improvements must be made to ensure the efficient and effective use of the rent deposit scheme – 14 separate milestones agreed. Priority 1 recommendation
Implementation of a new robust process and procedure which clearly identifies eligibility for the scheme and criteria and ensures milestones 1 – 14 are actioned and implemented.

All homelessness case files must be held securely in a locked cupboard or draw. Files awaiting archive must be transferred as soon as possible. Priority 1 recommendation.
Housing Services Manager/Housing Options Officer to liaise with Kier Services to ensure all personal desk cabinets have working locks and communication to the Housing Options Team regarding the need to ensure compliance with this requirement. Spot checks to be undertaken.

The department's Business Continuity Plan should be brought up to data and reflect the current structure and working practices.
To be updated and a procedure put in place for regular review in accordance with corporate procedures.

1.3   Overdue actions arising from audit reports

1.3.1   Priority 1 and 2 recommendations still outstanding, with a target date for completion of 31 March 2014, were considered by the Audit & Governance Committee in April 2014. The Acting S.151 Officer is currently coordinating an in-depth review of outstanding recommendations and a report will be provided to the Audit & Governance Committee meeting on 1 August, at the same time as Internal Audit's Quarter 1 monitoring report.

2.0   CONCLUSION AND RECOMMENDATION

2.1   It is recommended that Members note this report and actions agreed with management to implement audit report recommendations.

Background papers: None

Consultees: Corporate Leadership Team