

Internal Audit Progress Report
Update to the Finance, Audit and
Performance Committee on Internal Audit
Activity

February 2016

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Distribution list

Finance Audit and Performance Committee, Executive Team

Background and scope

The purpose of this report is to provide a progress update on the agreed 2015/16 internal audit plan.

Plan outturn

2015/16 Audit Plan

We continue to attend a number of meetings at the Council such as CDMT, Project Forum and Service Managers meetings, engaging with senior officers to develop our knowledge and understanding of the Council and its operations.

We have completed our fieldwork for all reviews up to Q3. Three reviews which were due to take place in Q2/Q3 were pushed back at the request of management, therefore we will now deliver six reviews in Q4. Scoping meetings have been held or are scheduled for all of these reviews.





We were asked to perform a non-assurance review of Housing Benefits in addition to the planned reviews and we have used the 3 days of contingency within the audit plan to deliver this.

At the time of submitting this report we have issued final reports for Project Management, Council Tax, NNDR and Housing Benefits, Building Control and Safeguarding. We have also issued draft reports for Town Centre Management (Markets) and Housing Repairs, and hope to finalise these reports by the time of the FAP meeting. Details of this and other activity are shown later in the report.

A statement tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 78 days (68%) of the planned audit days. The remaining Q4 reviews are due to take place in February and March and we will continue to keep members informed of progress.

Activity and Progress

This section provides a summary of all final reports issued since the previous Committee meeting.

<i>Ref</i>	<i>Name of audit</i>	<i>Conclusion</i>	<i>Date final report issued</i>	<i>No of recommendations made</i>			
				 Critical	 High	 Medium	 Low
D1	Council Tax	Medium risk	13 th January 2016			2	1
D2	NNDR	Low risk	13 th January 2016				2
	Housing Benefits	No risk rating. This was a non-assurance review.	13 th January 2016				
B3	Building Control	Medium risk	22 nd January 2016			3	2
A14	Safeguarding	Medium risk	22 nd January 2016			1	4

We summarise the main findings from these reports below:

D1 Council Tax

We identified two medium risk issues:

- There are currently no detailed procedure notes available for staff working in the council tax team.
- We tested 20 exemptions and 20 discounts for each council in the Partnership and found that supporting evidence is not always held on file for exemptions and discounts (5/60 exemptions, 4/60 discounts), and exemptions and discounts awarded are not always subject to review within an appropriate time frame (12/60 exemptions, 4/60 discounts).

We also identified one low risk issue. There is a lack of evidence to show that reconciliation of the properties held on the Partnership's database to Valuation Office records takes place regularly.

D2 NNDR

We identified two low risk issues:

- We tested 20 exemptions and 20 discounts for each council. We found no issues with discounts awarded, but we identified that where an application has been made for empty exemption the property is not always inspected to confirm that is empty (3/60 exemptions tested).
- There is a lack of evidence available to show that the properties held on the Partnership's database are regularly reconciled with Valuation Office records.

Housing Benefits

Our review covered key processes however we did not test their operation. We raised two recommendations for consideration:

- Consideration should be given to reporting quality performance to the Partnership Management Board on a monthly basis.
- Processing targets for new applications are more stringent than the national average. A review of these could be considered to help address processing errors.

B3 Building Control

We identified three medium risk findings relating to the following:

- Documentation and retention of information – there are no formal procedure notes for processes carried out by the Building Control team. As a result the quality of documentation retained is variable and sometimes insufficient to demonstrate compliance with regulations. There is no facility within the system to record site visits in real time.
- Fees review – fees should be reviewed annually to ensure they remain in compliance with regulations on cost recovery however the current fees have not been revised since 2011.
- Strategy for building and marketing a competitive service – there are no formal strategies in place, putting the service at risk of losing work to competitors.

We identified two low risk findings relating to:

- Budget monitoring – the budget monitoring process does not take account of seasonality of income and action plans are not developed to address variances.
- Individually determined fees – there is no review of fee calculations by a separate officer to ensure reasonableness.

We also raised one advisory point for consideration. Performance against the current set of KPIs is good. The Council could build on this by introducing additional KPIs to ensure the efficiency and quality of the service is maximised.

A14 Safeguarding

We raised one medium risk issue relating to process and documentation to demonstrate that the Council is meeting its safeguarding responsibilities. In 5/20 cases we tested there was no record of action taken by the Designated Safeguarding Officer (DSO) on receiving the Incident Form, and in 1/20 cases it was not clear whether referral to Leicestershire County Council had taken place or not. There was also insufficient evidence to demonstrate that referral decisions were robust in all cases.

We raised four low risk issues relating to:

- Document management – The current paper-based system is inefficient and inadequate in the context of rising numbers of referrals, a fact which has already been recognised by Officers and is being addressed. At present, documentation stored in paper files is not systematically scanned or stored securely electronically. This presents a risk should paper files be lost or destroyed. The current system places limits on the extent of searches which can be performed, and does not allow easy retrieval of documentation. Since the audit progress has been made on developing a new document management system and testing of this is due to begin in February.
- Closing the loop on referrals – A decision is required corporately over responsibility for following up referrals.
- Compliance with the Leicester and Rutland Safeguarding Children Board (LSCB) competency framework – For Officers assigned to competency groups 2-9 a system of self-assessment logs is being implemented to demonstrate compliance with the framework. There is no robust plan for reviewing the adequacy of these logs.
- Adult safeguarding policy – The current policy is out of date and a draft is in place. The Council needs to develop a plan to demonstrate compliance with the new Adult competency framework.

We also raised two advisory points for consideration:

- DSO capacity – As the volume and complexity of cases increases the demands of the role may begin to have a negative impact on the day-to-day role of DSOs. There is also a significant “admin” burden associated with the paper based system of managing referrals.
- Supervision and support – There is limited awareness amongst DSOs of the emotional support mechanisms, such as the employee assistance programme, available to them within the Council.

Fieldwork and draft reports

Work is progressing in the following areas:

- Project Management – Internal Audit will continue to attend meetings of the Project Forum and to provide support and challenge to the Council in this key area
- Markets – draft report issued on 13th January
- Housing Repairs follow-up – draft report issued on 18th January
- Financial Systems – fieldwork commenced on 7th December, closing meeting scheduled for 2nd February
- Recycling and Refuse Collection – scoping meeting held on 13th January, fieldwork to begin w/c 7th March

Appendix 1 – Internal audit detailed progress tracker

<i>Ref</i>	<i>Auditable unit</i>	<i>Indicative number of days*</i>	<i>Actual audit days to date</i>	<i>Scoping meeting date</i>	<i>Proposed fieldwork dates</i>	<i>Proposed draft report date</i>	<i>Proposed management response date</i>	<i>Proposed final report date</i>	<i>Audit Committee reporting date</i>
A1	Finance Systems	20	18	September 2015	December 2015/January 2016	10 th February 2016	17 th February 2016	24 th February 2016	March 2016
A2	Medium Term Financial Strategy	5	0	2 nd February 2016	February 2016	8 th March 2016	14 th March 2016	21 st March 2016	March 2016
A5	Corporate Governance and Risk Management	7	0	2 nd February 2016	February 2016	8 th March 2016	14 th March 2016	21 st March 2016	March 2016
A6	Partnerships / Joint Arrangements	5	0	24 th February 2016	March 2016	April 2016	April 2016	April 2016	May 2016
A7	Project Management	15	15	24 th February 2016	Q2	2 nd October 2015	16 th October 2015	23 rd October 2015	October 2015
A14	Safeguarding	10	10	August 2015	October 2015	20 th November 2015	27 th November 2015	20 th January 2016	February 2016
B1	Housing Rents	5	0	24 th February 2016	March 2016	April 2016	April 2016	April 2016	May 2016

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B2	HRA Investment Plan	5	0	24 th February 2016	March 2016	April 2016	April 2016	April 2016	May 2016
B3	Building Control Service	5	5	July 2015	October 2015	30 th November 2015	December 2015	January 2016	February 2016
B4	Town Centre Management – Markets	5	5	November 2015	December 2015	13 th January 2015	20 th January 2015	27 th January 2016	February 2016
B5	Recycling and Refuse Collection	5	0.25	13 th January 2016	7 th March 2016	21 st March 2016	28 th March 2016	4 th April 2016	May 2016
C1	Housing Repairs	5	5	October 2015	December 2015	18 th January 2016	25 th January 2016	1 st February 2016	February 2016
D1	Council Tax	5	5	October 2015	November 2015	4 th January 2016	12 th January 2016	13 th January 2016	February 2016
D2	Business Rates	5	5	October 2015	November 2015	4 th January 2016	12 th January 2016	13 th January 2016	February 2016
M1	Audit Management	10	7	n/a	n/a	n/a	n/a	n/a	n/a
	Total days (excl. contingency)	112	75.25	n/a	n/a	n/a	n/a	n/a	n/a

Ref	Auditable unit	Indicative number of days*	Actual audit days to date	Scoping meeting date	Proposed fieldwork dates	Proposed draft report date	Proposed management response date	Proposed final report date	Audit Committee reporting date
	Contingency	3	3**						
	Total days	115	78.25	n/a	n/a	n/a	n/a	n/a	n/a

* Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

** 3 days contingency was utilised to perform a review of Housing Benefits processes alongside the Council Tax and NNDR reviews, which was not in the 2015/16 audit plan.

Appendix 2 – Outstanding audit actions – TrAction report

Audit Title	Finding Heading	Finding Rating	Action Reference	Agreed Action	Action Status	Responsible People	Implementation Deadline	Days Overdue	Update
CWAS - Brought forward issues	Homelessness - Orchard system	Advisory	New	Council should review the effectiveness of the Orchard system for the homelessness service	Open	Jo Wykes	31/12/2015 (revised from 01/01/2012)	1478	Updated 8/10/15 Have compared P1E data on Orchard against manual records and they are incompatible. Will require further investigation to establish where recording errors are being made, identifying if further training is required for staff and evaluating if Orchard. Will compare Quarter 3 (1st July to 30th September 2015) and drill down to find where the errors occur.
CWAS - Brought forward issues	Assurance processes	Advisory	New	An assurance process should be introduced to review samples of officer assessments of applications and banding decisions, allocations to properties and nominations to Housing Associations.	Open	Jo Wykes	31/07/2015	171	
CWAS - Brought forward issues	Comparative management review	Advisory	New	Comparative information about annual numbers of applications received or allocations made between years should be collected for performance management purposes and to enable review of individual officers. It would be helpful if workload	Open	Jo Wykes	31/12/2015 (revised from 31/07/2015)	171	Updated 8/10/15 Training required on reports

Audit Title	Finding Heading	Finding Rating	Action Reference	Agreed Action	Action Status	Responsible People	Implementation Deadline	Days Overdue	Update
				could be tracked and an Indicator of complexity of caseload devised.					
CWAS - Brought forward issues	Reporting and monitoring	Advisory	New	Management should consider reporting specific information on the value and age profile of rent arrears for both current and former tenants.	Open	Clive Taylor, Madeline Shellard	01/09/2015	139	
CWAS - Brought forward issues	Annual Review of Applications	Advisory	New	Officers should consider reinstating an annual review of applicants' circumstances.	Open	Jo Wykes	31/10/15 (revised from 30/09/2015)	110	Updated 8/10/15 Training for staff on annual renewals has commenced
CWAS - Brought forward issues	3.3 Information Security Incident & Event Reporting	Advisory	New	Documented security incident and event reporting procedures should be extended to cover paper documents and should be approved by both the SIRO and members.	Open	Julie Kenny	30/12/2015 (revised from 30/09/2015)	110	Updated 19/1/16 The RIPA Policy and Data Protection Policy have now been agreed by Executive. The Records Management Policy and FOI Policy are included in the next Executive Agenda (January 27). The IG Framework is in draft form and will be presented to Executive on March 9 (this will include the security breach aspect too).
CWAS - Brought forward issues	3.1 Information Governance Framework	Advisory	New	A documented Information Governance Management Framework should be produced that follows the headings provided in the guidance included as part of the IG Toolkit.	Open	Julie Kenny	30/12/2015 (revised from 30/09/2015)	110	Updated 19/1/16 The IG Framework is in draft form and will be presented to Executive on March 9 (this will include the security breach aspect too).

Audit Title	Finding Heading	Finding Rating	Action Reference	Agreed Action	Action Status	Responsible People	Implementation Deadline	Days Overdue	Update
CWAS - Brought forward issues	3.2 IG Policies/Strategies	Advisory	New	All IG related policies should be regularly reviewed to ensure they are up-to-date. As best practice, a date the policy should be reviewed by should be incorporated into the policy and the policy date changed upon review (whether or not changes were required).	Open	Julie Kenny	30/12/2015 (revised from 30/09/2015)	110	Updated 19/1/16 The RIPA Policy and Data Protection Policy have now been agreed by Executive. The Records Management Policy and FOI Policy are included in the next Executive Agenda (January 27). The IG Framework is in draft form and will be presented to Executive on March 9 (this will include the security breach aspect too).
CWAS - Brought forward issues	Visits to Applicants	Advisory	New	Officers should consider increasing the number of visits made to new applicants to enable the matters referred to, to be addressed.	Open	Jo Wykes	31/12/2015	18	

Appendix 3 - Thought leadership publications

As part of the regular reporting to you we plan to keep you up to date with emerging thought leadership published by PwC. The PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

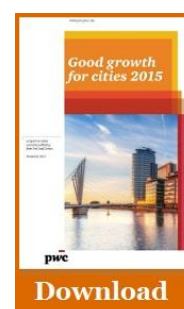
All publications can be read in full at www.psrc.pwc.com/. You can also read our blogs on Public Sector Matters Globally http://pwc.blogs.com/psm_globally/.

Good growth for cities 2015: Our report on economic wellbeing in UK urban areas – Nov 2015

The economic outlook in 2015 has improved, with rising employment and a welcome return to growth of real earnings, which means that the public is finally starting to feel the benefits of recovery.

This is our 4th Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public, and business, as key to economic success and wellbeing.

To deliver on the potential of decentralisation however, local institutions need to have the local leadership, capacity and capability as well as the accountability arrangements in place to support their case to government for further powers - and ensure good growth outcomes are achieved



Beyond letting go

The role of central government in a decentralised world

Embedded in the UK Spending Review is a commitment to further decentralise functions and budgets in order to maximise efficiency, drive local economic growth and productivity, and support the integration of public services. Decentralisation has implications not only for the local and combined authorities seeking deals but also for how central government operates.

Central government has a significant role to play as an enabler for decentralisation, playing its part in moving to more collaborative relationships between central and local and ensuring that the momentum behind devolution continues, while maintaining sufficient oversight to manage risk and network issues. This will be a challenging balance to strike, particularly given the asymmetrical nature of decentralisation, with different places bestowed additional powers and responsibilities in relation to their appetite, capacity and capability.

Our 'Beyond letting go' Talking Points explores a number of areas where central government has a critical role to play in creating and operating in a successful devolved environment. Together these add up to a fundamentally new role for Whitehall. In each case, central government needs to strike a balance between genuinely empowering local areas where the costs, benefits and solutions are localised, and maintaining appropriate national oversight.

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