

Internal Audit Progress report



Hinckley and
Bosworth Borough
Council

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Distribution List

For information Finance, Audit and Performance Committee

Introduction

Purpose of this report

We are committed to keeping the Finance, Audit and Performance Committee up to date with Internal Audit progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of the Finance, Audit and Performance Committee and to bring to your attention matters that are relevant to your responsibilities as members of the Authority's Finance, Audit and Performance Committee.

2015/16 Internal Audit Plan Progress

The draft 2015/16 Internal Audit Plan to the Finance, Audit and Performance Committee at the meeting on 13 April 2015 and this was finalised and approved at the Finance, Audit and Performance Committee meeting on 10 August 2015. The Internal Audit Plan sets out the risks that identified as part of the planning process, together with the targeted work to be performed in order to address the identified risks. We will report back to you on any changes to the assessment of audit risks and on the work undertaken in response to the risks identified.

We have continued our Internal Audit fieldwork and are pleased to report since our previous progress report we have issued final reports in relation to:

- Markets; and
- Housing Repairs.

A detailed assessment of our performance against the Internal Audit Plan, tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 90 days (78%) of the planned audit days. Owing to a reduction in the number of audit days arising from some changes to the Internal Audit Plan this actually represents 90% of the revised audit planned days.

2016/17 Internal Audit Plan

We have started the process of assessing your risks and have a number of meetings with senior officers arranged to support the development of our 2016/17 Internal Audit Plan. We will share a draft Internal Audit Plan for your consideration at the May Finance, Audit and Performance Committee meeting.

Activity and progress

Final reports

Since our previous Internal Audit Progress Report, we have issued final reports for the following reviews performed in accordance with the 2015/16 Internal Audit Plan:

Ref	Name of audit	Conclusion	Date final report issued	Number of recommendations made			
				Critical	High	Medium	Low
B4	Town Centre Management - Markets	Low risk	February 2016	0	0	1	3
C1	Housing Repairs	Low risk	February 2016	0	0	1	1

We have summarised the main findings from the reports below:

Town Centre Management – Markets

We identified one medium risk finding relating to the action plan. The Action Plan requires further refinement to determine specific, feasible actions that will add most value to the market. Accurate budgeting should be used to evaluate each action to determine if it should be pursued. The Action Plan and progress to date should be effectively challenged and debated at Market Development Group meetings.

We have also identified three low risk issues:

- The Council policies and procedures do not include a number of points which are suggested by the National Association of British Market Authorities (NABMA). Policies and procedures should be updated to reflect this, and the recent change in invoice due dates for licenced traders;
- Our review of compliance with policies and procedures found that documentation held on market traders is insufficient, and importantly insurance documentation is not always retained. In addition, the policy on suspension for non-payment of licence fees is not consistently enforced; and
- There is no segregation of duties between the collection, recording and banking of physical cash as rent from casual stall holders, and there is no reconciliation performed between the cash receipt book and cash banked. This could lead to cash being lost from the Council.

Housing Repairs

We identified one medium risk finding relating to the stock condition data. An exercise to reconcile the 3 systems (Orchard, financial folders and Integrator) was carried out in July 2015 and a master spreadsheet was created. We tested the data on the spreadsheet back to Orchard and found that there were several inconsistencies.

We identified one low risk findings relating to the tenant recharge policy. There are gaps in the tenant recharge procedure notes and testing identified a lack of documentation held for recharges processed.

Draft reports

Since our previous Internal Audit Progress Report, we have issued a draft report for the following review performed in accordance with the 2015/16 Internal Audit Plan:

- Finance Systems

Ongoing fieldwork

Work is progressing in the following areas:

- **Medium Term Financial Strategy:** fieldwork has commenced and a draft report is expected to be issued to management in early April;
- **Corporate Governance and Risk Management:** fieldwork has commenced and a draft report is expected to be issued to management in early April; and
- **Housing Rents:** a scoping meeting was held on the 24 February, fieldwork to begin early March.

Changes to the Internal Audit Plan

We have continued to review our Audit Plan on an ongoing basis to ensure that it considers your risks. On that basis, we have made the following revisions to our audit plan as outlined below:

- Our original plan included 5 days for a review of Partnerships and Joint Arrangements to be performed during quarter 4. From discussions with the Chief Officers of both Housing, Community Safety & Partnerships and Corporate Governance & Housing Repairs it is understood that management would like to take more time to identify an appropriate partnership to be subject to a detailed internal audit review and this requires discussion with stakeholders and management. Instead, the scope of the Partnerships and Joint Arrangements review will be extended and included as part of the 2016/17 Internal Audit Plan;
- Our original plan included 5 days for a review of the HRA Investment Plan to be performed during quarter 2. From discussions with the Chief Officer (Housing, Community Safety & Partnerships) it is understood that following on from Central Government legislative changes and the reduced available investment budget the HRA Investment Strategy is due to be rewritten over the coming months. It was agreed it would be more beneficial to have an audit next year once the new strategy is adopted and we can assess delivery against the new HRA Investment Plan. As a result it is proposed that the HRA Investment Plan review will be performed as part of the 2016/17 Internal Audit Plan; and
- Our original plan included 5 days for a review of Recycling and Refuse Collection to be performed during quarter 4. A scoping meeting was held and terms of reference developed; however owing to the late implementation of the recycling charges the department is now committed to delivering this new programme and it is not considered appropriate to conduct an internal audit review simultaneously. Instead it is proposed that the Recycling and Refuse Collection review will be considered for inclusion in the 2016/17 Internal Audit Plan

Appendix 1: 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>
Completed reviews									
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
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
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
Ongoing reviews									

<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	20	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	3	2 nd February 2016	February 2016	8 th March 2016	14 th March 2016	21 st March 2016	May 2016
A5	Corporate Governance and Risk Management	7	4	2 nd February 2016	February 2016	8 th March 2016	14 th March 2016	21 st March 2016	May 2016
B1	Housing Rents	5	0.5	24 th February 2016	March 2016	25 th March 2016	1 st April 2016	8 th April 2016	May 2016
M1	Audit Management	10	9	n/a	n/a	n/a	n/a	n/a	n/a
Changes to the Internal Audit Plan									
A6	Partnerships / Joint Arrangements	5	0.25	24 th February 2016	Review not to take place during 2015/16				
B2	HRA Investment Plan	5	0.25	24 th February 2016	Review not to take place during 2015/16				
B5	Recycling and Refuse Collection	5	0.25	13 th January 2016	Review not to take place during 2015/16				
Total days (excl. contingency)		112	87.25	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	90.25	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.

** The draft report was issued to management on 29 February 2016; however at the time of drafting this report we have not received any management responses so it has not been possible to issue a final report as anticipated. We expect to issue a final report over the next few weeks.

*** 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

The following table identifies internal audit recommendations which are currently overdue their expected implementation deadline. A discussion was held with the Interim Head of Finance on the 24th February with regards to management addressing the significant number of overdue actions going forward and we will update on progress in our future reports.

Audit Title	Finding Heading	Finding Rating	Action Reference	Agreed Action	Action Status	Responsible People	Implementation Deadline	Days Overdue
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	01/01/2012	1523
CWAS - Brought forward issues	VOA and CT System Reconciliation	Advisory	New	The discrepancies should be investigated and rectified.	Open	Leigh Butler, Sally O Hanlon, Storme Coop, Sue Williams	31/03/2014	703
CWAS - Brought forward issues	Procedure notes	Advisory	New	Consideration should be given for another person within the HR/Payroll Section to follow the procedure notes to ensure that the payroll could be processed in the absence of the Payroll Assistant.	Open	Julie Stay	30/09/2014	520
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	216
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	31/07/2015	216

				could be tracked and an Indicator of complexity of caseload devised.				
CWAS - Brought forward issues	Compliance with policies around advertising properties	Advisory	New	Management information should be produced to enable officers to monitor the advertising of vacancies to ensure that the policies relating to the advertising of properties in the sub-region are adhered to.	Open	Jo Wykes	31/07/2015	216
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	184
CWAS - Brought forward issues	Annual Review of Applications	Advisory	New	Officers should consider reinstating an annual review of applicants' circumstances.	Open	Jo Wykes	30/09/2015	155
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	30/09/2015	155
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	30/09/2015	155
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	30/09/2015	155

CWAS - Brought forward issues	Capital Programme - Underlying assumptions	Advisory	New	Any underlying assumptions that provide the basis for the capital programme should be formally documented.	Open	Julie Kenny	31/10/2015	124
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	63
Safeguarding	Evidence of fulfilling safeguarding responsibilities	Medium	SG1	1) The 'further action' section of the Incident Report Form will be reviewed for relevance and modified as necessary. 2) The DSO section of the Incident Report form will be modified to include sections to record the following when no referral is made: <input type="checkbox"/> - rationale for decision not to refer <input type="checkbox"/> - review of decision by a second DSO 3) DSOs will be reminded of the importance of including sufficient documentation on file to ensure the decision making process can be adequately followed.	Open	Sharon Stacey, Simon Jones	09/02/2016	23
Revenues and Benefits	Council tax: supporting evidence and review of discounts and exemptions – operating effectiveness	Medium	New	Assessors will be reminded of the need to ensure the required evidence is obtained before awarding discounts and exemptions. Reviews should be carried out as soon as they become due. Management has been provided with a list of the cases identified above. This should be reviewed by Team Leaders and followed up as necessary.	Open	Sue Williams	29/02/2016	3
Revenues and Benefits	Council tax: reconciliation to VO listing – operating effectiveness	Low	New	Reconciliations will be signed by an appropriately senior person and dated.	Open	Sue Williams	29/02/2016	3

Revenues and Benefits	NNDR: inspections – operating effectiveness	Low	New	Reconciliations will be signed by an appropriately senior person and dated.	Open	Sue Williams	29/02/2016	3
Revenues and Benefits	NNDR: reconciliation to VO listing – operating effectiveness	Low	New	Reconciliations will be signed by an appropriately senior person and dated.	Open	Sue Williams	29/02/2016	3
Building Control	Budget monitoring – control design	Low	New	1) The Building Control team should have the opportunity to influence the budget setting process to ensure that realistic targets are set within the constraints of regulations over fee setting.2) Budgets should be profiled to incorporate seasonality of income so that budget monitoring is useful and informative. Action plans should be produced from monthly budget discussions.	Open	Nic Thomas	29/02/2016	3
Building Control	Review of individually determined fees – control design	Low	New	On a regular basis (every quarter) a sample of individually priced fees will be checked and assessed for reasonableness.	Open	Nic Thomas	29/02/2016	3