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HINCKLEY AND BOSWORTH BOROUGH COUNCIL

Internal Audit Progress Report

Finance and Audit Select Committee Meeting – 26th March 2012

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	<ul style="list-style-type: none"> ▪ Leicestershire Partnership (LP) (Revenues and Benefits) – Housing Benefits ▪ LP (Revs & Bens) – Council Tax ▪ LP (Revs & Bens) – NNDR ▪ Data protection 1998 Compliance ▪ Public Consultations ▪ Housing Repairs ▪ VAT ▪ Sheltered Accommodation (Tenants' Funds) 	

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1. INTRODUCTION

- 1.1 The periodic internal audit plan for 2011/12 was approved by the Finance and Audit Select Committee on 14th February 2011. This report summarises the outcome of work completed to date against that plan, and Appendix A provides cumulative data in support of internal audit performance.

2. FINAL REPORTS ISSUED

- 2.1 We have finalised 8 reports since the last Committee meeting; these are in the areas of:

- Leicestershire Partnership (Revenues and Benefits) – Housing Benefits;
- Leicestershire Partnership (Revenues and Benefits) – Council Tax;
- Leicestershire Partnership (Revenues and Benefits) – NNDR;
- Data Protection Compliance 1998;
- Public Consultations;
- Housing Repairs;
- VAT; and
- Sheltered Accommodation – Tenants' Funds.

- 2.2 The executive summaries and agreed action plans for recommendations classified as 'High' and 'Medium' risk are included at Appendix B. Full reports of all recommendations including 'Low' risk can be provided upon request. The 'Low' risk recommendations are not included in this report, as it is felt that time and attention should be focused on the more significant risks facing the Authority (i.e. 'High' and 'Medium' recommendations).

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

- 3.1 We have raised 45 recommendations across the 8 reviews that are being presented to this Committee; one recommendation has been classified as 'High' Risk, 13 recommendations have been classified as 'Medium' Risk and the remaining 31 recommendations have been classified as 'Low' Risk.
- 3.2 The High and Medium Risk recommendations raised as part of the reviews relate to:
- **Leicestershire Partnership – Housing Benefits** (Pages 13 - 15)
 - Whilst a number of policies and procedures were provided to the auditors by the management of the Partnership, these are not comprehensive, and do not, in the main, incorporate procedures brought forward from the individual Councils into a single, unified Partnership document. *(Medium Risk) (Recommendation No.1)*
 - It was confirmed through discussion that if a Partnership staff member needs to be added or removed from the Academy system, the system administrators would be notified by Team Leaders and Human Resources from each of the Councils. At HBBC it was confirmed through discussion and through testing that one employee had left the Council, but still remained 'active' on the system. There was lack of evidence that the detailed review of controls to mitigate identified risks had been undertaken in all cases. There is a risk that staff may still have access to aspects of the system they should not have and as a consequence complete transactions which may not be identified immediately. *(Medium Risk) (Recommendation No.2)*
 - It was confirmed through discussion with the Partnership Manager that a declaration of interests has not been completed for all staff including those from HBBC. *(Medium Risk) (Recommendation No.3)*
 - It was confirmed through discussion and testing of a sample of 10 system parameters that the correct DWP uprating information was input into the Academy system. There was a lack of evidence of check of DWP parameters input to the system, but this did not apply to HBBC. *(Medium Risk) (Recommendation No.4)*
 - A claimant must complete a new claims form and also provide appropriate types of identification and information in order to be assessed. These include proof of residency, national insurance, evidence of any savings or capital, receipt of any other benefits and evidence of their current rent amount. A sample of 25 new claims for each Council was tested to ensure that in all cases a new claims application form was completed and signed and that all appropriate forms of proof was retained by the Partnership. Although discrepancies were found, these did not relate to HBBC cases. *(Medium Risk) (Recommendation No.5)*
 - **Leicestershire Partnership – Council Tax** (Page 21)
 - It was confirmed that procedure notes regarding Council Tax duties have been developed and are stored within the Council Tax department. The procedures are maintained by the Revenues Technical and Training Officer and were last updated by HBBC staff in February 2010. A lack of familiarity with and use of procedural documentation was noted, but this did not apply to HBBC staff. *(Medium Risk) (Recommendation No.1)*
 - For a discount to be applied on a case, the claimant must provide the Council with appropriate information and supporting documentation. If the discount has been granted, an amended bill is provided to the claimant detailing the discount they have been granted and their revised total. Through testing, a small number of discrepancies were detected, but these did not apply to HBBC cases. *(Medium Risk) (Recommendation No.2)*
 - For the Councils there are two types of write off: Insolvency and Bankruptcy, where the money cannot be retrieved; and All other write offs, where the Council has exhausted all avenues in trying to recoup the outstanding amounts. The Partnership retains all supporting documentation on the Anite system to illustrate the reasons for the write off. Through testing, a small number of discrepancies were detected, but these did not apply to HBBC cases. *(Medium Risk) (Recommendation No.3)*

➤ **Leicestershire Partnership – NNDR** (Page 27)

- Documented procedures are not in place for NWLDC as they have only recently moved to the Academy and Anite systems. Documented procedures for HBBC and HDC are more similar to those in place before the Partnership was established; however there have been minor changes brought about by the Partnership, which have not yet been reflected in the procedures. Procedures for the three Authorities are to be reviewed and unified wherever possible, resulting in the requirement for a new procedure manual to be documented for the Partnership. At present there is a risk that procedures are not appropriately unified to offer the estimated Partnership efficiencies. There is also a risk that if agreed procedures are not documented, they are not appropriately followed by staff. *(Medium Risk) (Recommendation No.1)*
- At present each of the three Authorities operates a different recovery timetable based on previous working practices. As part of the Business Process Re-engineering exercise these are planned to be merged into a Partnership Recovery Timetable. Although delays with recovery action were noted, HBBC recovery has progressed in line with timetable. *(Medium Risk) (Recommendation No.2)*

➤ **Data Compliance 1998 Compliance** (Pages 32 - 33)

- The Council has a contract in place with Steria Ltd for the provision of Specialist Solution Services, who in turn employ Recycle IT 4U Ltd as a sub-contractor for the disposal of IT materials. The audit noted that there was no supporting documentation to show that a proper procedure was in place for the sub-contractor to comply with the requirements of the Act regarding the transferral of personal data. *(High Risk) (Recommendation No.1)*
- Review of the service contract between the Council and Steria makes no direct provision for a sub-contractor to in turn sub-contract work. As the Council remain ultimately responsible for the actions of data processors, it will be important to ensure that the Councils interests and obligations under the Data Protection Act are properly protected to avoid any undue risk of data loss, reputation damage and possible monetary penalty from the Information Commissioner. Any confidential waste should be put into the designated receptacles within each office area. These are identified by their Red collection sacks. However, these are open and not secured as would be generally expected to prevent unauthorised access to and removal of the contents. This may provide an increased risk to the Council of unauthorised access and unlawful disclosure of personal information. *(Medium Risk) (Recommendation No.2)*

➤ **Sheltered Accommodation – Tenants’ Funds** (Page 47)

- At one site (Centurion Court) the funds are placed in an account in the Warden’s name. Whilst all records of expenditure were in order and funds within the account were nominal, we suggest that tenants’ bank account is in a separate name and that the Warden be added as a signatory if required. *(Medium Risk) (Recommendation No.1)*
- In order to ensure transparency and to help protect fund administrators from any suspicion of wrong-doing, regular fund statements should be produced to show all fund movements (income and expenditure). All expenditure should be supported by receipts, and these should be retained for up to three years to allow for proper external check. We noted that at Centurion Court receipts are destroyed after only six months, which means that proper check and reconciliation cannot be undertaken for a full year. *(Medium Risk) (Recommendation No.2)*

4. WORK IN PROGRESS OR PLANNED

4.1 There are no audits yet to commence, as all work for 2011/12 has been completed.

4.2 One audit has yet to be finalised, relating to the Follow-up of previous recommendations. This was issued as a draft on the 8th March 2012.

5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

- 5.1 Our management staff have met regularly with the Deputy Chief Executive (Corporate Direction), as well as other members of senior management to discuss the progress of the internal audit work.

6. CHANGES TO OUR PLAN

- 6.1 There have been no changes to the Internal Audit Plan 2011/12 since the last Committee meeting.

APPENDIX A: HINCKLEY AND BOSWORTH BOROUGH COUNCIL – OPERATIONAL PLAN PERFORMANCE 2011/12

Detailed below is a summary of the work undertaken in 2011/12 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in ***bold and italics***. Definitions with regard to the levels of assurance and the classification of recommendations are provided overleaf.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made					
										H	M	L	In Total	Agreed	
Work completed to date															
<i>Housing Benefit (shared service)*</i>	<i>07/11/11</i>	<i>21/12/11</i>	<i>23/12/11</i>	<i>16/01/12</i>	<i>18/01/12</i>	<i>March 2012</i>	<i>Key Controls</i>	<i>70*</i>	<i>AMBER / RED</i>	<i>0</i>	<i>5</i>	<i>6</i>	<i>11</i>	<i>11</i>	
<i>Council Tax (shared service)*</i>	<i>28/11/11</i>	<i>21/12/11</i>	<i>23/12/11</i>	<i>19/01/12</i>	<i>20/01/12</i>	<i>March 2012</i>	<i>Key Controls</i>	<i>-*</i>	<i>AMBER / GREEN</i>	<i>0</i>	<i>3</i>	<i>4</i>	<i>7</i>	<i>7</i>	
<i>NNDR (shared service)*</i>	<i>28/11/11</i>	<i>22/12/11</i>	<i>13/01/11</i>	<i>19/01/12</i>	<i>31/01/12</i>	<i>March 2012</i>	<i>Key Controls</i>	<i>-*</i>	<i>AMBER / RED</i>	<i>0</i>	<i>2</i>	<i>13</i>	<i>15</i>	<i>15</i>	
<i>Data Protection Compliance</i>	<i>21/11/11</i>	<i>09/12/11</i>	<i>04/01/12</i>	<i>07/02/12</i>	<i>07/02/12</i>	<i>March 2012</i>	<i>Key Controls</i>	<i>6</i>	<i>AMBER / GREEN</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>3</i>	<i>3</i>	
<i>Public Consultations</i>	<i>12/12/11</i>	<i>16/12/11</i>	<i>03/01/12</i>	<i>04/01/12</i>	<i>04/01/12</i>	<i>March 2012</i>	<i>Key Controls</i>	<i>6</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>2</i>	
<i>Housing Repairs</i>	<i>05/12/11</i>	<i>17/01/12</i>	<i>25/01/12</i>	<i>29/02/12</i>	<i>08/03/12</i>	<i>March 2012</i>	<i>Advisory</i>	<i>10</i>	<i>N/A</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>N/A</i>	
<i>VAT</i>	<i>19/12/11</i>	<i>23/12/11</i>	<i>13/01/12</i>	<i>23/01/12</i>	<i>24/01/12</i>	<i>March 2012</i>	<i>Key Controls</i>	<i>8</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>	
<i>Sheltered Accommodation (Tenants Funds)</i>	<i>-</i>	<i>-</i>	<i>01/03/12</i>	<i>13/03/12</i>	<i>14/03/12</i>	<i>March 2012</i>	<i>Spot Checks - Key Controls</i>	<i>5</i>	<i>AMBER / GREEN</i>	<i>0</i>	<i>2</i>	<i>4</i>	<i>6</i>	<i>6</i>	
<i>Risk Management Follow-up</i>	<i>15/11/11</i>	<i>N/A</i>	<i>23/11/11</i>	<i>29/11/11</i>	<i>29/11/11</i>	<i>12/12/11</i>	<i>Follow-up</i>	<i>1</i>	<i>ADEQUATE PROGRESS</i>	<i>2</i>	<i>2</i>	<i>0</i>	<i>4</i>	<i>4</i>	
<i>IT Contract</i>	<i>12/09/11</i>	<i>16/09/11</i>	<i>18/10/11</i>	<i>26/10/11</i>	<i>27/10/11</i>	<i>12/12/11</i>	<i>Key Controls</i>	<i>10</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										H	M	L	In Total	Agreed
Corporate Governance	03/10/11	15/10/11	28/10/11	11/11/11	11/11/11	12/12/11	Key Controls	5	GREEN	0	0	4	4	4
Atkins Building – Commercial Income	03/10/11	14/10/11	17/10/11	02/11/11	08/11/11	12/12/11	Key Controls	5	GREEN	0	1	1	2	2
Income and Debtors	05/09/11	15/10/11	26/10/11	31/10/11	01/11/11	12/12/11	Key Controls	8	GREEN	0	0	2	2	2
Creditors	05/09/11	15/10/11	21/10/11	31/10/11	01/11/11	12/12/11	Key Controls	8	GREEN	0	1	2	3	3
Payroll	31/10/11	04/11/11	10/11/11	23/11/11	23/11/11	12/12/11	Key Controls	8	GREEN	0	0	2	2	2
General Ledger	06/11/11	11/11/11	18/11/11	23/11/11	25/11/11	12/12/11	Key Controls	5	GREEN	0	0	2	2	2
Asset Register	03/10/11	15/10/11	19/10/11	7/11/11	22/11/11	12/12/11	Key Controls	8	AMBER / GREEN	0	1	5	6	6
Risk Management	11/07/11	19/08/11	02/09/11	02/09/11	12/09/11	31/10/11	Advisory	5	N/A	8	2	1	11	11
Health and Safety	18/07/11	04/08/11	07/09/11	13/09/11	13/09/11	31/10/11	Key Controls	8	AMBER / GREEN	0	0	7	7	7
Project Management	25/07/11	29/08/11	13/09/11	22/09/11	22/09/11	31/10/11	Key Controls	5	AMBER / GREEN	0	2	4	6	6
Key Performance Indicators	01/08/11	05/08/11	17/08/11	08/09/11	08/09/11	31/10/11	Key Controls	5	AMBER / GREEN	0	2	4	6	6
Planning	12/09/11	16/09/11	27/09/11	12/10/10	12/10/11	31/10/11	Key Controls	6	GREEN	0	1	1	2	2
Housing Allocations & Voids	05/09/11	09/09/11	28/09/11	05/10/11	11/10/11	31/10/11	Key Controls	7	GREEN	0	0	2	2	2
Homelessness	12/09/11	16/09/11	27/09/11	14/10/11	14/10/11	31/10/11	Key Controls	6	AMBER / GREEN	0	3	4	7	7
Treasury Management	12/09/11	16/09/11	26/09/11	17/10/11	17/10/11	31/10/11	Key Controls	6	GREEN	0	0	5	5	5

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										H	M	L	In Total	Agreed
IT Strategy Review	12/09/11	23/09/11	10/10/11	18/10/11	18/10/11	31/10/11	Key Controls	6	GREEN	0	0	2	2	2
Budgetary Control and Budget Setting	11/07/11	15/07/11	25/07/11	11/08/11	11/08/11	12/09/11	Key Controls	8	GREEN	0	0	1	1	1
Rent Collection and Arrears	11/07/11	22/07/11	08/08/11	10/08/11	11/08/11	12/09/11	Key Controls	5	GREEN	0	0	0	0	0
Community Safety	25/07/11	29/08/11	17/08/11	19/08/11	22/08/11	12/09/11	Key Controls	5	AMBER / GREEN	0	2	2	4	4
Enforcement	01/08/11	05/08/11	17/08/11	24/08/11	24/08/11	12/09/11	Key Controls	6	AMBER / RED	1	2	3	6	5
Car parks	09/05/11	16/05/11	02/05/11	16/06/11	16/06/11	25/07/11	Key Controls	6	GREEN	0	3	0	3	3
Trade Waste (new VAT allowances)	31/05/11	08/06/11	16/06/11	27/06/11	28/06/11	25/07/11	Key Controls	6	GREEN	0	0	2	2	2
Performance Management	06/06/11	10/06/11	22/06/11	01/07/11	01/07/11	25/07/11	Key Controls	6	GREEN	0	0	3	3	3
Local Development Framework	16/05/11	23/06/11	N/A	N/A	4/07/11	25/07/11	Key Controls	5	GREEN	0	0	0	0	0
Financial Regulations	31/05/11	23/06/11	03/07/11	14/07/11	18/07/11	25/07/11	Key Controls	4	GREEN	0	3	1	4	4
Master Plan	16/05/11	24/06/11	05/07/11	14/07/11	18/07/11	25/07/11	Key Controls	5	GREEN	0	0	1	1	1
Supporting people / Wardens	13/06/11	17/06/11	7/07/11	13/07/11	14/07/11	25/07/11	Key Controls	6	GREEN	0	2	0	2	2
TOTALS TO DATE:								279		12	40	92	144	143

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										H	M	L	In Total	Agreed
<i>Work in progress or yet to start (including reports still in draft)</i>														
<i>Follow Up</i>	-	<i>N/A</i>	<i>08/03/12</i>			<i>March 2012</i>	<i>Follow-up</i>	<i>9</i>						
Contracts Review	-	-	-	-	-	-	-	10						
Audit Management	N/A	-	-	-	-	-	-	25						
TOTAL								44						

NB * Shared Service Revenues and Benefits Reviews Days 70 = total number of days for combined review of three audit areas: Council Tax, NNDR, and Housing Benefits. Final costs are to be apportioned between each of the three District Councils.

APPENDIX B: HINCKLEY AND BOSWORTH BOROUGH COUNCIL – EXECUTIVE SUMMARIES AND ACTION PLANS

LEICESTERSHIRE PARTNERSHIP (REVENUES AND BENEFITS) – HOUSING BENEFITS

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of the Leicestershire Partnership (Revenues and Benefits) Housing Benefits system was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Leicestershire Partnership (Revenues and Benefits) - 'the Partnership' - was formed in 2011 to provide a shared service regarding the processing of the Revenues and benefits areas of Council Tax, National Non-Domestic Rates, and Housing and Council Tax Benefits for Harborough District Council (HDC), Hinckley and Bosworth Borough Council (HBBC), and North West Leicestershire District Council (NWLDC). HDC went 'live' on June 1st, and NWLDC on August 1st and there has been an on-going period of transition for all three Councils to the Partnership systems during the course of the year.

Staff working for the Partnership are based at the Atkins offices within Hinckley. Staff are employed by the individual Councils, but operate within the unified Partnership management structure. Additional recruitment has also been necessary to cover vacant posts resulting in the setting up of this partnership. The Partnership is overseen by a board consisting of Chief Executives from each of the three Councils. In addition to this a Joint Committee arrangement is in place which consists of one Executive Member from each Council and performance reporting is managed through this committee.

As 2011/12 is the first year of operations for the Partnership, this is also the first time that each service area (Council Tax, NNDR and Benefits) has been audited. The audits were undertaken in tandem, and as a result, a number of recommendations are applicable across all three areas. In such cases and to avoid repetition, the recommendations have only been fully stated within the Housing Benefits report.

Overall, a number of issues have been identified which require improvement in order for the Partnership to reach a higher level of performance. In particular, there is a common theme across the three service areas regarding the streamlining of processes and procedures. The Partnership management recognise that this is an issue, and are working towards harmonisation, but have stressed that the initial priority following transition was to ensure that the new operating systems were bedded down and that work was brought up-to-date.

It would be expected that over time, as operating procedures do become embedded, and as procedures are streamlined and standardised many of those issues which arose during the course of our audits and which were caused by the newness of the Partnership arrangements will be overcome, and it is noticeable from all three of the audits that we have identified less problems with operations for more recent processing, which would indicate that the desired improvements are occurring.

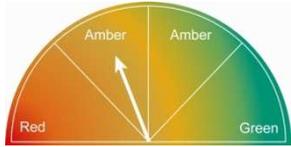
The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective

To ensure that housing and council tax benefits are paid accurately and promptly to eligible claimants in line with statutory legislation and expected performance requirements.

Risk	<p>Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws or organisational policy and procedures.</p> <p>Losses due to fraud or error, inefficient processing or inappropriate activity.</p> <p>The Leicestershire Partnership Housing Benefits system is not administered appropriately.</p> <p>Benefit fraud is not identified or investigated.</p> <p>Poor decision making, due to poor quality or timeliness of information provided to management.</p>
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1.2 CONCLUSION

	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>
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The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Effectiveness

- Performance for all three Councils is currently failing to reach agreed targets. The senior management within the Partnership and at each Council are fully aware of the on-going issues in this area, and continue to monitor resourcing requirements.

Design of control framework

- Whilst the Councils have individually brought forward a large number of policy and procedural documents, these have not generally been compiled into unified, consistent 'Partnership' policies.

Application of and compliance with control framework

- A number of generally low level discrepancies and omissions were noted as a result of our testing of this area. As a result, we have made a number of recommendations to address the issues raised.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide assurance that material error, loss or fraud does not exist.
- We will not review the accuracy of Housing/Council Tax Benefit claims. Where processes originate as a Partnership responsibility, but are then passed on to staff at the individual Districts (e.g. write-offs, refunds, reconciliations), the audit will only review the Partnership activities.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	2	0
Application of control framework	0	3	6
Total	0	5	6

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws or organisational policy and procedures.	0	1	0
Losses due to fraud or error, inefficient processing or inappropriate activity.	0	2	3
The Leicestershire Partnership Housing Benefits system is not administered appropriately.	0	2	1
Benefit fraud is not identified or investigated.	0	0	2
Poor decision making, due to poor quality or timeliness of information provided to management.	0	0	0
Total	0	5	6

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	Standard procedure notes should be harmonised to ensure that a consistent approach to Housing and Council Tax Benefits processing is undertaken across all three Councils within the Partnership. Once developed and appropriately approved, these should be disseminated to all Partnership Benefits staff and a master copy retained within the Benefits department for ease of reference. Once compiled, the procedures should be regularly reviewed and up-dated as necessary.	Medium	Y	HDC and HBBC have their own set of procedure notes and the intention is that during 2012 this will be standardised for all three councils. This will be included in the Partnership's Service 2012/13 Plan. These procedures will be all be made accessible to all staff through the online ACS training tool. The focus for the partnership has had to be to reduce backlogs and thus improve performance	March 2013	Russell York

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
2	<p>It should be ensured that staff who have left are removed from the system immediately.</p> <p>In addition, access rights for all employees should be reviewed to ensure that the level of access reflects their current job role.</p>	Medium	Y	<p>Starter and leaver forms used to access each Council's networks will be utilised for this process to ensure the relevant access is recorded.</p> <p>These will be logged and maintained by systems admin team.</p>	April 2012	Lesley Gardner
3	All relevant staff should complete the Partnership declaration of interest form.	Medium	Y	<p>A staff declaration of interest form will be issued to all staff who access partnership IT systems.</p> <p>There is an audit log held within the Capita Academy systems who has viewed and updated records.</p> <p>Additionally a further system control already exists which prevents users from accessing pre-determined accounts.</p> <p>It should be noted that staff are made aware when they commence employment/sign their contract that accessing the system for non work related or fraudulent purposes will lead to disciplinary action, which could result in dismissal.</p>	February 2012	Leigh Butler

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
4	The system parameters should be input by one member of staff and then be checked by an independent member of staff to ensure all information has been accurately input.	Medium	Y	For NWL these are independently checked by internal audit, although this check was not completed for 2011/12. No Issue for HBBC. For HDC an electronic spreadsheet was provided unfortunately the checked paper version could not be located	January / February 2012	Benefit Team Leaders
5	New claims should only be assessed upon receipt of a completed and signed new claims form. In addition, evidence should be retained to show that all relevant documentation has been requested and obtained from the claimant prior to assessing the information.	Medium	Y	The new management Quality Assurance system to be introduced in January 2012 will assist in this. Staff will be reminded of this to include customer services	January 2012	Russell York

LEICESTERSHIRE PARTNERSHIP (REVENUES AND BENEFITS) – COUNCIL TAX

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Leicestershire Partnership (Revenues and Benefits) Council Tax processing was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Leicestershire Partnership (Revenues and Benefits) - 'the Partnership' - was formed in 2011 to provide a shared service regarding the processing of the Revenues and benefits areas of Council Tax, National Non-Domestic Rates, and Housing Benefits for Harborough District Council (HDC), Hinckley and Bosworth Borough Council (HBBC), and North West Leicestershire District Council (NWDLC). HDC went 'live' on June 1st, and NWLDC on August 1st and there has been an on-going period of transition for all three Councils to the Partnership systems during the course of the year.

Staff working for the Partnership are based at the Atkins offices within Hinckley and are employed by the individual Councils but operates within the unified Partnership management structure. Additional recruitment has also been necessary to cover vacant posts resulting in the setting up of this Partnership. The Partnership is overseen by a Board consisting of the Chief Executives from each of the three Councils, In addition to this a Joint Committee arrangement are in place which consists of one Executive Member from each Council and performance reporting is managed through this Committee.

As 2011/12 is the first year of operations for the Partnership, this is also the first time that each service area (Council Tax, NNDR and Benefits) has been audited. The audits were undertaken in tandem, and as a result, a number of recommendations are applicable across all three areas. In such cases and to avoid repetition, the recommendations have only been fully stated within the Housing Benefits report.

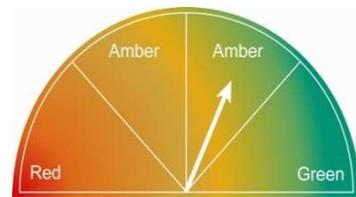
Overall, a number of issues have been identified which require improvement in order for the Partnership reach a higher level of performance. In particular, there is a common theme across the three service areas regarding the streamlining of processes and procedures. The Partnership management recognise that this is an issue, and are working towards harmonisation, but have stressed that the initial priority following transition was to ensure that the new operating systems were bedded down and that work was brought up-to-date.

It would be expected that over time, as operating procedures do become embedded, and as procedures are streamlined and standardised many of those issues which arose during the course of our audits and which were caused by the newness of the Partnership arrangements will be overcome, and it is noticeable from all three of the audits that we have identified less problems with operations for more recent processing, which would indicate that the desired improvements are occurring.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure that the Partnership Council Tax system operates effectively to collect Tax due in line with statutory legislation and management requirements.
Risk	<p>Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws or organisational policy and procedures.</p> <p>Losses due to fraud or error, inefficient processing or inappropriate activity.</p> <p>Inaccurate, incomplete or untimely Council Tax bills, leading to lost income.</p> <p>Properties and valuation bands are not included in the Council Tax register, leading to lost income.</p> <p>Unauthorised discounts and exemptions are applied.</p> <p>Failure to monitor payments and take prompt action against non-payment, leading to lost income.</p> <p>Irrecoverable debts are not written off, leading to continuous adverse effects on key performance indicators.</p> <p>Write-offs are not authorised before being processed.</p> <p>Poor decision making, due to poor quality or timeliness of information provided to management.</p>

1.2 CONCLUSION



Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- Whilst HDC and HBBC have brought forward staff, working practices and policies and procedures from the previous individual Council systems, this did not occur with regards to NWLDC (although NWLDC do have procedure notes for critical tasks), as development of a comprehensive procedure manual at NWLDC was not deemed an efficient use of resources due to the imminent transfer to Partnership systems. Standardisation of procedures for all three Councils during 2012 will be included in the Partnership's Service 2012/13 Plan.

Application of and compliance with control framework

- With regards to the actual processing of Council Tax payments, our testing identified a number of relatively minor discrepancies. These are generally spread across the three Councils, and are also likely to have been caused more by the transition to the new arrangements, rather than by on-going problems with the systems now in place. However, where appropriate, we have made recommendations to address any issues identified.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.
- Where processes originate as a Partnership responsibility, but are then passed on to staff at the individual Council (e.g. write-offs, refunds, reconciliations), the audit will only review the Partnership activities.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	3	4
Total	0	3	4

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws or organisational policy and procedures.	0	1	0
Losses due to fraud or error, inefficient processing or inappropriate activity.	0	0	0
Inaccurate, incomplete or untimely Council Tax bills, leading to lost income.	0	0	2
Properties and valuation bands are not included in the Council Tax register, leading to lost income.	0	0	1
Unauthorised discounts and exemptions are applied.	0	1	0
Failure to monitor payments and take prompt action against non payment, leading to lost income.	0	0	0
Irrecoverable debts are not written off, leading to continuous adverse effects on key performance indicators.	0	0	1
Write-offs are not authorised before being processed.	0	1	0
Poor decision making, due to poor quality or timeliness of information provided to management.	0	0	0
Total	0	3	4

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	<p>Standard procedure notes should be developed to ensure that a consistent approach to Council Tax processing is undertaken across all three Councils within the Partnership. Once developed and appropriately approved, these should be disseminated to all Council Tax staff and a master copy retained within the Council Tax department for ease of reference.</p> <p>Once compiled, the procedures should be regularly reviewed and up-dated as necessary.</p>	Medium	Y	<p>HDC & HBBC do have their own set of procedure notes and the intention is that during 2012 this will be standardised. This will be included in the Partnership's Service 2012/13 Plan.</p> <p>These procedures will be made accessible to all staff through the online ACS training tool.</p> <p>The focus for the partnership has had to be to reduce backlogs and thus improve performance.</p>	March 2013	Robin Watkin
2	All supporting documentation should be obtained for all cases before a discount is verified and applied to the claimant.	Medium	Y	<p>All discounts will be held within the DMS system.</p> <p>Anything awarded prior to this (NWL & HDC) are stored on paper files.</p>	January 2012	Claire Stone Linda Howe
3	For all write offs, appropriate supporting documentation should be retained on the system.	Medium	Y	<p>The supporting information will be held in the DMS system.</p> <p>The write pro-forma will be signed off.</p> <p>A full review is currently being undertaken.</p>	February 2012	Karen Waterfield Jane Brown

LEICESTERSHIRE PARTNERSHIP (REVENUES AND BENEFITS) – NNDR

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of NNDR was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Leicestershire Partnership (Revenues and Benefits) - 'the Partnership' - was formed in 2011 to provide a shared service for the processing of Council Tax, National Non-Domestic Rates (NNDR), and Housing and Council Tax Benefits for Harborough District Council (HDC), Hinckley and Bosworth Borough Council (HBBC), and North West Leicestershire District Council (NWLDC). HDC went 'live' on June 1st, and NWLDC on August 1st and there has been an on-going period of transition for all three Councils to the Partnership systems during the course of the year.

Staff members working for the Partnership are based at the Atkins offices at Hinckley. They are employed by the individual Councils, but operate within the unified Partnership management structure. Additional recruitment has been necessary to cover vacant posts resulting in the setting up of this Partnership. The Partnership is overseen by a Board consisting of Chief Executives from each of the three Councils. In addition to this, a Joint Committee arrangement is in place which consists of one Executive Member from each Council and performance is monitored through this Committee.

As 2011/12 is the first year of operations for the Partnership, this is also the first time that each service area (Council Tax, NNDR and Benefits) has been audited. The audits were undertaken in tandem and, as a result, a number of recommendations are applicable across all three areas. In such cases and to avoid repetition, the recommendations have only been fully stated within the Housing Benefits report.

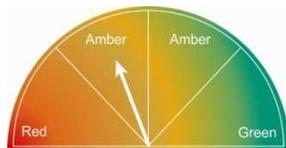
Overall, a number of issues have been identified which require improvement in order for the Partnership reach a higher level of performance. In particular, there is a common theme across the three service areas regarding the streamlining of processes and procedures. The Partnership management recognise that this is an issue, and are working towards harmonisation, but have stressed that the initial priority following transition was to ensure that the new operating systems were bedded down and that work was brought up-to-date.

It would be expected that over time, as operating procedures do become embedded, and as procedures are streamlined and standardised many of those issues which arose during the course of our audits and which were caused by the newness of the Partnership arrangements will be overcome, and it is noticeable from all three of the audits that we have identified less problems with operations for more recent processing, which would indicate that the desired improvements are occurring.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To operate an efficient and effective NNDR administration system across the Leicestershire Partnership.
Risk	<p>Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws or organisational policy and procedures.</p> <p>Losses due to fraud or error, inefficient processing or inappropriate activity.</p> <p>Inaccurate, incomplete or untimely NNDR bills, leading to lost income.</p> <p>Properties and valuation bands are not included in the NNDR Tax register, leading to lost income.</p> <p>Unauthorised discounts and exemptions are applied.</p> <p>Failure to monitor payments and take prompt action against non-payment, leading to lost income.</p> <p>Irrecoverable debts are not written off, leading to continuous adverse effects on key performance indicators.</p> <p>Write-offs are not authorised before being processed.</p> <p>Poor decision-making, due to poor quality or timeliness of information provided to management.</p> <p>Small Business rate relief is not calculated or applied correctly.</p>

1.2 CONCLUSION



Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- Whilst HDC and HBBC have brought forward staff, working practices and policies and procedures from the previous individual Council systems, this did not occur with regards to NWLDC (although NWLDC do have procedure notes for critical tasks), as development of a comprehensive procedure manual at NWLDC was not deemed an efficient use of resources due to the imminent transfer to Partnership systems. Standardisation of procedures for all three Councils during 2012 will be included in the Partnership's Service 2012/13 Plan.
- At the time of the audit, each of the three Councils was operating a different recovery timetable based on previous working practices. Prior to the time of the audit, no recovery action had been taken for NWLDC since joining the Partnership and therefore payments of outstanding debts had not been enforced. However, in December 2011 appropriate recovery action had begun.

Application of and compliance with control framework

- With regards to the actual processing of NNDR payments, our testing identified a number of relatively minor discrepancies. These are generally spread across the three Councils, and are also likely to have been caused more by the transition to the new arrangements rather than by on-going problems with the systems now in place. However, where appropriate, we have made recommendations to address any issues identified.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material error, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.
- Where processes originate as a Partnership responsibility but are then passed on to staff at the individual Districts (e.g. write-offs, refunds, reconciliations), the audit will only review the Partnership activities. At this stage it is intended that RSM Tenon will produce a single, unified report for this area, in the standard HBBC reporting format. If further report formats are required, this may lead to additional time charges.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	2	2
Application of control framework	0	0	9
Total	0	2	11

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with legislation, laws or organisational policy and procedures.	0	1	4
Losses due to fraud or error, inefficient processing or inappropriate activity.	0	0	0
Inaccurate, incomplete or untimely NNDR bills, leading to lost income.	0	0	1
Properties and valuation bands are not included in the NNDR Tax register, leading to lost income.	0	0	1
Unauthorised discounts and exemptions are applied.	0	0	1
Failure to monitor payments and take prompt action against non payment, leading to lost income.	0	1	2
Irrecoverable debts are not written off, leading to continuous adverse effects on key performance indicators.	0	0	0
Write-offs are not authorised before being processed.	0	0	1
Poor decision making, due to poor quality or timeliness of information provided to management.	0	0	1
Small Business rate relief is not calculated or applied correctly.	0	0	0
Total	0	2	11

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	The Partnership should document a set of procedures which detail the daily activities undertaken by the NNDR team. Procedures should be streamlined across all three Councils wherever possible, following the Business Process Re-engineering exercise.	Medium	Y	<p>HDC & HBBC do have their own set of procedure notes. NWLDC has procedure notes for critical processes. The intention is that during 2012 this will be standardised for all three Councils. This will be included in the Partnership's Service 2012/13 Plan.</p> <p>These procedures will be made accessible to all staff through the online ACS training tool.</p> <p>The focus for the Partnership has had to be to reduce backlogs and thus improve performance.</p>	April 2012 to March 2013	Robin Watkin Jon Beange
2	As planned the recovery timetable for the Partnership should be developed to ensure that efficiencies in the Partnership are achieved. Until then, recovery action should take place for each of the Council's in line with legacy recovery procedures.	Medium	Y	<p>Proportionately the vast majority of tax payers will pay their dues without the need for recovery action (approximately 75% of payers within NWLDC pay by DD who would never receive a reminder, therefore the risk of delaying (not stopping) recovery action is not as high as first seems. For HDC and HBBC recovery action has taken place and for NWL recovery have been issued from December 2011.</p> <p>For HDC recovery will be transferred to the enforcement team.</p>	April 2012	Sue Williams-Lee

DATA PROTECTION 1998 COMPLIANCE ARRANGEMENTS

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of data protection compliance arrangements at Hinckley and Bosworth Borough Council was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Data Protection Act 1998 requires a strict regime of control to be exercised over personal information which falls within the definition of 'personal data' and applies equally to data recorded in automated systems, manual files falling under the definition of a relevant filing system and other storage media such as microfiche and CCTV.

Following the Durant judgment of 2003, personal data can be defined as *"The identification of a living individual from the data, or, from the data and other information in the possession of or likely to come into the possession of, the data controller"*

The Data Protection Act is enforced by the Information Commissioner. Broadly speaking, the Act works in two ways:

- It may be considered to empower data subjects (living individuals who are the subject of personal data) by conferring certain rights, and
- ensures transparency of processing by data controllers (the legal entity processing the information) to explain to individuals how their data will be used (Principle 1) and by providing the right of subject access under Section 7 whereby individuals can request access to their data.

The Data Protection Act imposes a legal obligation for organisations to notify the Information Commissioner of the processing carried out, and organisations have a statutory responsibility to comply with the eight principles of the Act to ensure data is obtained and processed fairly and lawfully and not processed in any manner incompatible with the purpose for which it was provided. Ensuring compliance with the eight principles is not simply an issue of operating within the law; it also requires procedures and controls to be in place for the effective handling of personal information and respecting the interests of data subjects.

There are a number of exemptions available for defined processing purposes as well as criminal offences created by the Act covering notification, processing and disclosure. The Information Commissioner has the right to serve an enforcement notice to cease processing upon any Data Controller who they are satisfied has or is contravening the eight principles. Since the 1st April 2010 the Information Commissioner has also had the power to impose a financial penalty of up to £500,000 on a Data Controller responsible for a "significant" data loss leading to actual or potential unauthorised disclosure of personal information. Since November 2010 the Information Commissioner has used this power to issue eight monetary fines ranging from £60,000 to £120,000 as a result of data losses caused by poor internal control practices. Thus control over this aspect of the Council's business arrangements is vital in ensuring statutory compliance and continuity of data processing.

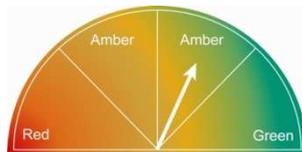
Our review has concentrated on:

- data protection governance
- staff data protection training and awareness
- aspects of organisational security of personal data; and
- requests for personal data

These are areas that from review of the published Executive Summaries of Information Commissioner consensual audits represent those areas of core importance to compliance and also represent areas being currently criticised by the Information Commissioner in recent monetary fine decision notices and incident decisions.

Objective	To review the management arrangements and procedures which assist the Council in their compliance with the Data Protection Act 1998.
Risk	<ul style="list-style-type: none"> ▪ Ineffective co-ordination of the Data Protection Act within the Council. ▪ Procedures are not sufficient in order to identify all processing necessary to complete the statutory data protection Notification. ▪ Procedures are not in place to prevent a breach of the Data Protection Act which could result in enforcement action, financial penalty or reputational damage. ▪ There is a procedure to respond to data protection subject access requests.

1.2 CONCLUSION



Taking account of the issues identified, the Audit Committee can take reasonable assurance that the controls upon which the Council relies to manage this risk are suitably designed, consistently applied and effective.

However we have identified a small number of issues that, if not addressed, increase the likelihood of the risk materialising.

Our main concern is with the potential access to personal information within the confidential waste arrangements. Management are reviewing the arrangements although the system may not be fully replaced until the Council relocate to the Hinckley Hub in late 2012.

We are pleased to note that the Council has very good Governance arrangements in place with knowledgeable and committed staff in the primary Information Governance roles. The guidance and policies in place for this area are also considered to provide a good level of background information.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. However, we have made one high, one medium and one low category recommendations as well as 3 suggestions all of which may assist the Council maintain its compliance framework. These are all included within the action plan at Section 2. The key areas identified are:

- The secure cleansing and destruction of Electronic Media from redundant / obsolete kit is provided as part of the IT service contract between the Council and Steria Ltd. Steria have sub-contracted the removal and secure destruction of obsolete IT equipment, including media that may contain person identifiable information to Recycle IT 4U Ltd within the terms of the service contract. However, Recycle IT 4U Ltd have further subcontracted part of this service on to Engelhard. We are concerned that there is no contractual right in the service contract between the Council and Steria for an approved sub-contractor to further sub-contract part of the service and this may provide a risk to the Council under the data processor requirements of the Data Protection Act.
- Estates manage the secure destruction of paper waste. However, whilst there are designated receptacles for confidential paper waste within the offices, these are open and not secured to prevent unauthorised access to and removal of the contents. This may provide an increased risk to the Council of unauthorised access and unlawful disclosure of personal information. We were informed that a new contract involving locked collection bins will be in place as part of the Council's move to the new Hinckley Hub offices, although this is not expected before late 2012. In the meantime, an increased risk to the Council will remain.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the Council's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- The audit confirmed the presence or absence of controls rather than detailed testing of specific areas or an assessment of whether policies and procedures are fit for purpose;
- The scope of our work was limited to those areas examined and reported upon in the context of the objectives set out above. It should not, therefore, be considered as a comprehensive review of all aspects of compliance with the principles of the Data Protection Act 1998. The information in the report should therefore not be considered to detail all areas where error, risks or areas of non-compliance that may exist either now or in the future;
- With reference to the requirements of the seventh principle, our scope was limited to confirming that a DPA Policy is in place and did not extend to the many technical controls that the Council may be expected to employ to provide a reasonable control framework over its operating environment as required by the seventh principle;
- The Council's arrangements with their data processors were not included within this scope of work; and
- The audit focussed on the management aspects of compliance arrangements for the Data Protection Act only.

Please Note: The information provided in this report does not replace or negate the need for professional legal advice.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	-	-	-
Application of control framework	1	1	1
Total	1	1	1

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Effective co-ordination of the Data Protection Act within the Council	-	-	-
Procedures are sufficiently robust to identify all processing necessary to complete the statutory data protection Notification	-	-	-
Procedures are in place to prevent a breach of the Data Protection Act which could result in enforcement action, financial penalty or reputational damage	1	1	1
There is a procedure to respond to data protection subject access requests.	-	-	-
Total	1	1	1

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	Management should ensure that the subcontracting of the secure destruction of electronic media by Recycle IT 4U Ltd to Engelhard is fully in accordance with, and meets the assessment requirements of, the Service Contract between the Council and Steria Ltd.	High	Yes	The contract will be checked and amendments to arrangements made if appropriate.	March 2012	Louisa Horton
2	Management should assess the risk associated with the current open confidential waste receptacles in Council Offices and consider whether a more secure option to mitigate any risk of data loss in the short term, pending the move to the new Hinckley Hub should be introduced.	Medium	Yes	<p>The Asset Management team proposes the following:</p> <ul style="list-style-type: none"> Establish whether waste paper can again be segregated so less is managed as confidential and requires secure handling. Introduce large capacity lockable bins in key areas generating paper waste. Use this exercise as a pilot project to move towards centralised waste bins and away from multiple waste bins in each area or under each desk. This is to be for all types of waste. Establish a preferred supplier for bins across Council offices so that style can be standardised and the new style utilised now at Argents Mead and the existing Depot but such bins being transferrable to the new locations. <p>It is noted that strongly securing the neck of a flimsy polythene bag may be somewhat futile</p>	March 2012	Malcolm Evans

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
				however, it is intended to continue to use coloured bags for such waste so they are readily identifiable and encompass procedural instructions that the necks should be secured by tying or tags. To investigate whether completely obscured coloured bags can be utilised.		

PUBLIC CONSULTATIONS

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Public Consultations was undertaken as part of the approved internal audit periodic plan for 2011/12.

The audit reviewed the Council’s programme of public consultations; the process for requiring, undertaking and analysing results of consultations, evidence of linkages between strategic objectives, public consultations, and eventual outcomes, and Citizens Panel recruitment and membership and Equality.

The Council has in place a ‘Communication and Engagement Strategy’, which currently covers 2009-2012. The Strategy operates in conjunction with a set of published ‘Consultation Standards’. Overall the Strategy and Standards have the following aims:-

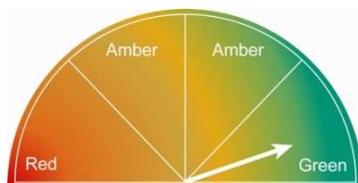
- To use appropriate methods of consultation and engagement to reach all sections of the community, including those who are harder to engage with.
- To understand public opinion and to use this understanding to inform priorities and to improve service delivery recognising the differences of particular communities or areas or interest groups.
- To provide informative feedback to participants on how their views will influence future decisions, or why their aspirations cannot be realised
- To comply with statutory requirements for community engagement, for example the requirements of equalities, planning and other legislation, and the Council’s statement of community involvement.

The Standards outline ten key principles for the way that the Council implements the Strategy, including ensuring that consultations are Universal; Inclusive; Appropriate; Timely; Rigorous; Proportionate; Usable; Meaningful; Confidential and Accountable.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	The Council uses all appropriate methods to consult local stakeholders regarding key strategic and operational developments.
Risk	The operations of the Council do not reflect the requirements or expectations of local stakeholders.

1.2 CONCLUSION



Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- There is a published Consultation Strategy and accompanying set of Consultation Standards in place.
- The Consultation process and information regarding individual areas of consultation are clearly accessible via the Council's internet site.
- Appropriate procedures are in place to ensure the Council's on-going compliance with statutory requirements regarding representation and equality.

Application of and compliance with control framework

- Consultations have been undertaken for all relevant projects;
- Annual consultations are undertaken for key areas regarding budgets and customer satisfaction;
- There is some potential for further evidencing the impact of consultations on actual Council policies and decision-making.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	2
Total	0	0	2

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
The operations of the Council do not reflect the requirements or expectations of local stakeholders.	0	0	2
Total	0	0	2

2 ACTION PLAN – No 'High' or 'Medium' Risk Recommendations were raised as part of this review.

HOUSING REPAIRS

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Housing Repairs was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Council's housing repairs service was undertaken by the external contractor, Willmott Dixon (formerly 'Inspace') from 2007/08 under an open-book agreement, up until 29th September 2011. There have been a number of disputes and disagreements with Willmott Dixon over the years regarding the cost of the service.

At the request of senior management, this audit focussed on selected costs included in Willmott Dixon's invoices numbers 670271 (£90,212.51), 670272 (£303.07) and 670273 (£888.41). In an e-mail to Willmott Dixon on 30th November 2011, Chief Officer for Business, Contracts and Street Scene Services raised the following objections regarding these invoices:-

1. The costs for the period are much higher than the same period last year;
2. The scale and volume of the works carried out do not justify the amount being invoiced;
3. Overheads have increased significantly on the same period last year;
4. The Period 13 payment should have eliminated Work in Progress and thus created a 'clean sheet' for the period of April - September 2011 and consequently a lower final outturn figure;
5. A significantly reduced amount of repairs were carried out compared during April - September 2011 target volumes and the same time period of last year;
6. A significantly higher number of works were left outstanding at the end of contract compared to what was agreed (this will impact on any variable profit verification works);
7. Over 2,000 jobs are still showing as incomplete on the Council's Housing Management System despite requests to rectify this situation for most of the calendar year (this will impact on any variable profit verification works);
8. A number of works completed at the end of the contract were to an unsatisfactory standard (this will impact on any variable profit verification works). Remedial works have been carried out at the Council's expense and a separate invoice will be issued for reimbursement.

During the course of the audit we reviewed documentation held by Willmott Dixon to support charges made, and discussed the above issues with the company's Financial Controller. In particular, our review focussed on specific aspects relating to the invoices, as directed by Council officers.

As this is an Advisory review, our work does not result in an Assurance Opinion. Additionally, due to the one-off nature of the review, we have not made recommendations for future actions for the Council to implement.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To provide an efficient and effective responsive repairs service to Council housing stock in line with agreed contractual arrangements.
Risk	Housing repair costs charged by contractor do not accurately reflect work ordered and completed.

1.2 CONCLUSION

- Review of selected items of overhead costs has found that the majority of those examined (with the exception of supervisory costs - £2,105 in October 2011) could be supported by adequate documentation to show that the costs were either reasonably incurred and where applicable, had been invoiced by suppliers and sub-contractors.
- With regards to labour costs, there is evidence that Willmott Dixon, as a matter of course, charge for jobs that have been attended to by operatives, but not necessarily completed (to the required standard). Although the financial amounts for such charges for the individual items reviewed are generally low, such jobs will show as incomplete on Council records, but the costs will be included within calculations for overall numbers of jobs completed, and thus will help to inflate average job costs. In addition, such costs for all the jobs still shown as not completed are likely to amount to a considerable sum.
- Willmott Dixon state that labour costs would be incurred whether or not staff were actually working. The company explained that it would have been uneconomic to make staff redundant due to a tail off in jobs ordered, and the Council has accepted this point. Timesheet extracts for the final two months of the contract show that overall, one less member of staff (20) was used on the contract than was previously usual for full operation.
- However, it can be argued that by using between six and nine agency staff (out of the total of 20 staff, or 30%) at the end of the contract, Willmott Dixon were failing to ensure that the service was being provided in the most economic fashion (as expected by the Council under the open-book agreement). It would thus seem unreasonable for the Council to be expected to pay for the 'extra' agency costs. A total of £14,988 was charged by Willmott Dixon for sub-contract general operatives in October 2011.
- Throughout this review we have noted areas of fundamental disagreement between the Council and Willmott Dixon. Many of these relate to differing interpretations of contractual terms, dating back to 2007 but including many issues arising since that time. Such areas of disagreement issues include the achievement of best value, what the 'Period 13' payment made at the end of 2010/11 by the Council actually covered, and responsibilities for data transfer between the company's Vixen and the Council's Orchard operating systems. However, it was not within the scope of this audit to attempt to resolve such disagreements.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- Our audit will be based on sample testing of specific Willmott Dixon invoices and associated costs as directed by Council staff and cannot give assurance as to the accuracy or otherwise of all other charges made by the contractor.
- The audit will not include an assessment of contractual terms or other such agreements that the Council and the contractor may have entered into during the term of the contract.
- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

2 ACTION PLAN – No 'High' or 'Medium' Risk Recommendations were raised as part of this review.

VAT

1. EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Taxation - VAT was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Civica Financial Management System is used by the Council to manage its accounts; VAT rates have been input into the system and can be automatically selected when processing sales and purchase invoices. The input of purchase invoices and the majority of sales invoices are produced centrally in the Finance department by specific staff members who have received training on issues relating to the treatment of VAT. Training is delivered by an individual with considerable knowledge of VAT, and it is this same person who the Council would consult on any VAT related issues where further advice or assistance is needed. For matters such as large property transactions, VAT consultancy services would be procured, if required.

The preparation of VAT control account reconciliations and the monthly VAT returns has been delegated to a specific staff member within the Finance department. Procedures are in place to ensure that the information included within the returns is accurate prior to submission to HMRC. VAT returns are then uploaded onto the HMRC website once these have been confirmed as being accurate. The Council reclaims VAT from HMRC on a monthly basis and through review of the daily cashflow and bank statements, checks are undertaken to ensure that the correct amount has been received.

For the six month period of April 2011 until November 2011 a total of £1,051,221.18 had been reclaimed by the Council.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure that VAT is accounted for correctly and statutory requirements are adhered to.
Risks	<p>Staff members are not aware of the procedures and legislation governing identification, calculation and treatment of VAT.</p> <p>VAT accounting is incorrect and there is non-compliance with statutory requirements.</p> <p>VAT is incorrectly coded.</p> <p>VAT submissions are not accurately completed, reviewed and submitted in a timely manner.</p>

1.2 CONCLUSION

This is advisory work and therefore will not result in a formal assurance opinion being provided, and the review will not be a formal part of the Annual Internal Audit opinion. The principal method for obtaining the evidence which supports our recommendations and findings was to interview staff and to review supporting documentation.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- Roles and responsibilities in relation to VAT have been defined and training has been provided to relevant members of staff.
- VAT codes have been pre-set into the Civica Financial Management System.
- Control account reconciliations are produced and reviewed in a timely manner at the end of the month prior to preparation and submission of the VAT returns.
- The VAT return is produced and reconciled back to the Financial Management System, the return is then reviewed by a senior member of staff.
- The cashflow and bank statements are reviewed to confirm that the correct amount of reclaimed VAT has been received by the Council.

Application of and compliance with control framework

- From a review of the reports produced detailing all transactions included on the VAT return we confirmed that relevant VAT rates had been applied.
- Relevant and supporting information is retained to support transactions and returns made.
- From a review of VAT returns submitted to HMRC for the period June to November 2011 we noted that in two instances (June and July), the return had been submitted to HMRC website prior to the independent review taking place.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- Statutory requirements are adhered to.
- VAT is correctly coded.
- VAT returns are completed and checked prior to submission to HMRC.

Limitations to the scope of the audit:

- Our work does not provide absolute assurance that material error; loss or fraud does not exist.
- Testing will be completed on a sample basis only, based on transactions from the current financial year.
- We will not substantively re-perform reconciliations

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	1
Total	0	0	1

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Staff are not aware of the procedures and legislation governing identification, calculation and treatment of VAT.	0	0	0
VAT accounting is incorrect and there is non-compliance with statutory requirements.	0	0	0
VAT is incorrectly coded.	0	0	0
VAT submissions are not accurately completed, reviewed and submitted in a timely manner.	0	0	1
Total	0	0	1

2 ACTION PLAN – No ‘High’ or ‘Medium’ Risk Recommendations were raised as part of this review.

SHELTERED ACCOMMODATION – TENANTS FUNDS (SPOT CHECKS)

1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Sheltered Housing – Tenants’ Funds was undertaken as part of the approved internal audit periodic plan for 2011/12.

The Council manages twelve sheltered housing schemes across the Borough which provide supported accommodation to elderly service users. Sheltered Housing service users have the benefit of an onsite Warden (employed by the Council) and emergency cover outside of office times. Each sheltered accommodation scheme operates a tenants’ fund which is used for funding social activities. The funds use income generated from tenant led events, donations and subscriptions.

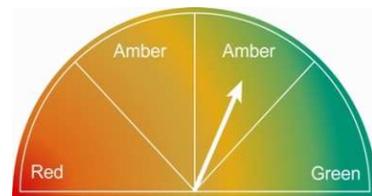
As Council employees, the Wardens should not become involved with the monies of the tenants or the tenancy scheme bank accounts. Instead, the scheme funds are managed by the scheme Treasurer, who is a resident of the sheltered scheme. However, whilst it is acknowledged that the tenancy funds solely belonged to the residents of the housing schemes, in managing the properties the Council has a responsibility to ensure controls are in place to ensure the monies of vulnerable adults are safeguarded appropriately.

The audit consisted of a series of unannounced visits to a sample of the sites during the year, including Barwell, Tom Eatough Court, Royal Court, Criterion Court and Clarendon House. Wardens and Treasurers were interviewed about the use of tenant monies within the tenant schemes, the storage of cash, maintaining receipts, banking arrangements and reconciliation of accounts.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure that all income and expenditure in respect of the Sheltered Housing schemes is recorded accurately and completely.
Risks	Failure to ensure monies collected from tenants is properly accounted for.

1.2 CONCLUSION



Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

The key findings from this review are as follows:

Design of control framework

- Each sheltered accommodation scheme operates under its own rules and is outside the full control of the Council. This means that there is no unified or centrally approved method for managing Tenants' funds which has led to a diversity of approaches in this area.

Application of and compliance with control framework

- Although there is no central control framework, we have made a small number of recommendations for improvements which should be communicated to all schemes within Borough for implementation as appropriate to each individual set of circumstances.
- It should be clearly noted that there is no evidence or suggestion of any wrong-doing or mis-management of funds by the Wardens at the schemes visited.

1.3 SCOPE OF THE REVIEW

The objective of our audit was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- All income and expenditure is monitored and any discrepancies are investigated.
- Outcomes are evidenced for all expenditure incurred.
- All payments from residents are receipted by the sheltered accommodation scheme.

Limitations to the scope of the audit:

- We will not actively seek to detect fraud or error.
- All testing will be carried out on a sample basis only, therefore absolute assurance cannot be provided.

The approach taken for this audit was Key Controls Testing.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	2	4
Application of control framework	0	0	0
Total	0	2	4

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Failure to ensure monies collected from tenants is correctly receipted.	0	2	4
Total	0	2	4

2 ACTION PLAN

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	The tenants' bank account should be kept clearly separate from and in a different name to any Warden account, and the Warden be added as a signatory if necessary.	Medium	Y	We will ensure that tenants' funds are in the name of the tenants' group and not of any HBBC staff member.	April 2012	Clive Taylor OPS Manager

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
2	All expenditure from tenants' fund accounts should be supported by appropriate documentation (i.e. receipts), and this should be retained for at least twelve months, and ideally for up to three years to allow for proper check and reconciliation.	Medium	Y	This is already common practice, however we shall include this within the guidelines	June 2012	Clive Taylor OPS Manager