

Hinckley & Bosworth Borough Council

Internal Audit Progress Report 2012/13

December 2012



1. Introduction

This report summarises the work of Internal Audit for the period to mid November 2012. The purpose of the report is to update the Committee on progress made in delivering the 2012/13 audit plan.

2. Progress summary

The agreed internal audit plan for the 2012/13 year totals 255 days. Additional provision of 25 days (relevant proportion to be recharged to partners) was previously reported to this Committee in relation to Leicestershire Revenues & Benefits Partnership (LRBP) systems. Section 5 provides details of all of the audit assignments included in the 2012/13 year, together with details of the quarter in which the assignments are planned for delivery and an update on progress where assignments have commenced. We have delivered 140 days of work against the plan to mid November 2012, which is in line with our planned profile at this stage of the year.

3. Summary of reviews completed

The following reviews have been completed and final reports agreed with management since the last meeting of this Committee. The tables below set out summaries of the outcomes and any high or medium risk issues raised, and agreed actions to address them.

Review	Summary	Level of assurance				
Treasury Management	This audit aimed to provide assurance on the control objectives set out below in relation to the Council's Treasury Management function and activities. A Significant Assurance Opinion was provided, with 4 low risk level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
Key control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. All expenditure on investments is properly authorised and reconciled to the bank.	✓					
2. Investments are properly accounted for in accordance with current legislation and governing instruments within a written policy agreed by the Council.		✓				
3. Investment performance and compliance with Strategy and Prudential indicators is effectively monitored.	✓					
4. The accounting system is such that accurate accounts can be prepared.	✓					
5. System and control procedures and relevant management reports and other information are kept under regular management review.		✓				
6. All investment records are physically secure.	✓					
7. A detailed register of loans is maintained which records interest and repayment terms for all loans.	✓					
8. Outstanding loans and loans repaid are readily identifiable and regularly reconciled to bank/control accounts.	✓					
9. All long term borrowing, including PWLB is authorized by the s151 officer or other nominated officer and short-term borrowing is set out in written financial instructions.	✓					

Review	Summary	Level of assurance
Main Accounting System (General Ledger)	This audit aimed to provide assurance on the control objectives set out below in relation to the Council's Main Accounting System (the Civica general ledger). A Significant Assurance Opinion was provided, with 2 low risk level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant

Key control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. All input is properly controlled and verified and processing is complete, accurate and timely.		✓			
2. All output is appropriate and enables the production of accurate final accounts.		✓			
3. Access to system functions is restricted to authorised personnel and the security and integrity of the system is maintained.	✓				

Review	Summary	Level of assurance
Choice Based Lettings	This audit aimed to provide assurance on the control objectives set out below in relation to the arrangements for Choice Based Lettings of Council housing. A Full Assurance Opinion was provided, with just 1 low risk level recommendation made. The individual level of assurance for each system control objective reviewed is provided below.	Full

Key control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. There is a clear policy in place with supporting procedures covering allocation through Choice Based Letting.	✓				
2. Arrangements for receiving applications, assessing and banding applicants ensure compliance with allocations/CBL policy and procedures.	✓				
3. Arrangements ensure all relevant and available properties are advertised in a timely fashion and that suitable applicants have appropriate access to bid.	✓				
4. Arrangements for allocating properties to prospective tenants, ensure compliance with policy, i.e. take proper account of the prospective tenants band and the suitability of the properties in question.	✓				
5. There are sufficient IT controls in place to ensure the integrity and security of data held on the CBL and other relevant systems.	✓				
6. There are adequate arrangements for monitoring and reporting on performance on housing allocations.		✓			

Review	Summary	Level of assurance
Debtors & Debt Recovery	<p>This audit aimed to provide assurance on the control objectives set out below in relation to Debtors & Debt Recovery arrangements. A Significant Assurance Opinion was provided, with 3 medium risk and 1 low risk recommendation made. Notwithstanding this opinion we also highlighted the following issue which needed to be addressed:</p> <ul style="list-style-type: none"> there is scope for more regular and effective progression of sundry debts following initial reminder letters, which would help to tackle the current level of aged debts. <p>The individual level of assurance for each system control objective reviewed is provided below.</p>	Significant

Key control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. All potential sources of income are identified and investigated to ensure that the organisation receives the maximum income available.	✓				
2. Debt recording, collection, recovery, and write-off procedures are sufficient to ensure prompt payment and effective collection.		✓			
3. Adequate and timely management information is generated in respect of past and future income to provide a sound basis for control and decision making.	✓				
4. Systems and control procedures are kept under regular management supervision and review to maintain internal control, not withstanding changes to systems and personnel.		✓			
5. There is adequate segregation of duties and the system is secure against unauthorised access, data loss and theft.	✓				
6. All invoices and receipts are accurately and completely accounted for.	✓				

An extract from the audit report setting out the 3 medium risk level issues and management's agreed response is set out in Appendix 1.

Review	Summary	Level of assurance				
Income Management & Cash Receipting	This audit aimed to provide assurance on the control objectives set out below in relation to the Councils management of income and corporate arrangements for receipt of cash. A Significant Assurance Opinion was provided, with 1 medium level risk and 1 low risk level recommendation made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
Key control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. The organisation has up to date policies and procedures relating to income management and cash receipting		✓				
2. Robust processes are in place for cash and bank reconciliations	✓					
3. Processes are in place to ensure the complete, accurate and timely collection/receipt, banking and recording of all cash and cash equivalents due to the organisation		✓				
4. Adequate physical security measures exist to protect both relevant employees, cash and controlled stationery	✓					
5. Appropriate insurance arrangements are in place to cover risks relating to income, cash receipts and related staff risks	✓					

An extract from the audit report setting out the medium risk level issue and management's agreed response is set out in Appendix 2.

Review	Summary	Level of assurance
Creditors	<p>This audit aimed to provide assurance on the control objectives set out below in relation to the Councils management of creditor payments. A Significant Assurance Opinion was provided, with 1 high, 2 medium and 1 low risk level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.</p> <p>Notwithstanding this opinion we also highlighted the following issue which needed to be resolved:</p> <ul style="list-style-type: none"> While management are taking steps to deal with an issue identified in the previous year's Internal Audit review relating to orders only being raised on receipt of invoices for the relevant good/service, such practices are still continuing. Management's work to deal with this matter is ongoing. 	Significant

Key control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1. Requisitions and orders are raised by authorised staff in respect of all goods and services in accordance with Financial Regulations.			✓		
2. VAT is correctly accounted for and paid in accordance with HMRC rules.	✓				
3. Payment runs are subject to prior authorisation, independent evidenced review and access to BACS and other payments is restricted to authorised personnel.		✓			
4. All credit notes are valid, appropriately authorised and processed against the correct supplier at the correct value.	✓				
5. Output from the creditors system is complete, accurate and regular and is subject to independent review and monitoring by management.	✓				
6. Creditor payments systems are adequately documented and staff receive appropriate training.	✓				
7. Payments are accurate, timely, properly accounted for and only made in respect of authorised invoices and for goods and services received.	✓				
8. Any additions or changes to creditors' standing data are appropriately authorised and independently reviewed.		✓			
9. The system is protected against unauthorised access/ processing and is secure against loss or damage of data.	✓				

An extract from the audit report setting out the 1 high and 2 medium risk level issues and management's agreed response is set out in Appendix 3.

The following reviews were completed prior to the previous meeting of this Committee and reported as part of our progress report at that time, however you asked us to provide further detail on these reviews equivalent to that for the above reviews re any high and medium risk issues raised, and this is set out below and in the Appendices referred to:

Review	Summary	Level of assurance				
Housing Responsive Repairs	<p>This audit aimed to provide assurance on the repairs function which had been brought in-house in September 2011. A Significant Assurance Opinion was provided, with 10 medium level recommendations made, however, notwithstanding this opinion we also highlighted the following issues which needed to be addressed:</p> <ul style="list-style-type: none"> • Further steps to demonstrate value for money in the use of specialist contractors would be beneficial. • Performance management information at this stage is not being regularly monitored and reported upon • Management information does not yet fully take into account commitments and work in progress • No tenant rechargeable repairs policy is in place • Proposals to automate aspects of the repair request and administration system should be an important step in reducing current paper-based and relatively labour-intensive processes, which also increase the potential for error. <p>The individual level of assurance for each system control objective reviewed is provided below.</p>	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Housing repairs are carried out in accordance with relevant legislation and formally agreed procedures.		✓				
2. Responsive repair requests are properly recorded and assessed to ensure that they are valid.		✓				
3. There are appropriately detailed records kept to demonstrate that repairs are delivered in a prompt and cost effective manner to a satisfactory standard of quality.			✓			
4. Housing repair costs are effectively controlled in accordance with an agreed budget and are accurately recorded in the financial ledger.		✓				
5. There are sufficient IT controls in place to ensure the integrity and security of data held on the housing repairs system.	✓					

An extract from the audit report setting out the 10 medium risk level issues and management's agreed response is set out in Appendix 4.

Review	Summary	Level of assurance				
Contract Management (Parks)	This audit examined the arrangements for letting and managing Parks and Open Spaces contracts. A Significant Assurance Opinion was provided, with 2 medium level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Parks and Open Spaces contracts are tendered in accordance with the Council's Standing Orders and Financial Instructions.		✓				
2. Successful contractors are selected in a fair and transparent manner.		✓				
3. Contracts are subject to ongoing monitoring to ensure proper delivery of goods and services in accordance with an agreed specification.	✓					

An extract from the audit report setting out the 2 medium risk level issues and management's agreed response is set out in Appendix 5.

Review	Summary	Level of assurance				
Risk Management	This audit examined the overall control framework in place regarding the Council's risk management arrangements. A Significant Assurance Opinion was provided, with 2 medium level and 4 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. All services have developed risk registers which comply with Council guidance and Policy/Strategy and link to delivery of corporate/service plan objectives.		✓				
2. Controls mitigating risks and necessary further management action plans to address risks have been identified and documented within risk registers.	✓					
3. Risk registers are reviewed and updated in a timely fashion.		✓				
4. Robust reporting arrangements are in place to ensure risk registers inform corporate and Committee reporting and that strategic and service risk registers inform each other.		✓				

An extract from the audit report setting out the 2 medium risk level issues and management's agreed response is set out in Appendix 6.

4. Recommendation tracking

CW Audit Services has recently implemented a system for tracking the actioning of agreed Internal Audit recommendations, as a management assurance tool for the Council and specifically this Committee. Managers are responsible for updating actions taken and other key information directly on the system. The first update for the Committee is provided below. This refers to all actions agreed and due by 31/10/12 in relation to audit reports issued in the current year up to mid-November, and any remaining legacy actions carried forward from reviews carried out by the previous Internal Audit provider. These latter issues have been referred to specifically in previous reports to this Committee at the end of 2011/12.

The first table below represents the status of agreed actions due to be implemented by 31/10/2012, the second table the age of the outstanding recommendations (based on the date due for implementation). The status shown is as advised by the relevant manager/Head of Service and does not imply that Internal Audit have verified the status.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 31/10/2012	-	-	12	6	18
Implemented	-	-	6	5	11
Closed (effectively implemented or system changed)	-	-	-	-	-
In progress but not complete	-	-	1	1	2
Outstanding (not started)	-	-	5	-	5

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	-	4	-	4
3 – 6 months	-	-	-	-	-

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Greater than 6 months	-	-	2	1	3
Total	-	-	6	1	7

The 3 issues more than 6 months overdue relate to matters agreed following audits in 2011/12 on Homelessness and Financial Regulations, and we are advised that these are in progress or planned to be dealt with. Further information can be supplied as required.

5. 2012/13 Internal audit plan

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Budgetary Control				✓	Timing and high level scope discussed	
Main Accounting			✓		Final report issued	Significant
Capital Accounting				✓	Timing and high level scope discussed	
Council Tax (see note above re LRBP)			✓		Work underway	
Business Rates (see note above re LRBP)			✓		Work underway	
Benefits (see note above re LRBP)			✓		Work underway	
Benefit Fraud Investigation (joint review with OWBC)			✓		Draft report imminent	
Creditors			✓		Final report issued	Significant
Debtors			✓		Final report issued	Significant
Treasury Management			✓		Final report issued	Significant
Income Management & Cash Receipting			✓		Final report issued	Significant
Corporate Governance (standards of conduct)				✓	Timing and high level scope discussed	

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Risk Management		✓			Final report issued	Significant
Customer Services (reception)			✓	✓	Work underway	
Anti-Fraud & Corruption		✓			Draft report imminent	
Payroll & Expenses			✓		Scoping review	
Legal Services (IT audit - case management system)			✓		Work underway	
Allocations – Choice Based Lettings	✓				Final report issued	Full
Housing Rents			✓		Work underway	
Tenant Scrutiny				✓		
Sheltered Housing				✓		
Argents Mead				✓		
Town Centre Regeneration (joint review with Oadby & Wigston)				✓		
Housing Repairs		✓			Final report issued	Significant
Fuel Controls		✓			Draft report issued	

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Contract Management (Grounds Maintenance)	✓				Final report issued	Significant
Recommendation Tracking		✓	✓	✓	Ongoing throughout year	
Follow Up Reviews					Timing and coverage to be agreed	
Audit Needs Assessment, Planning & Annual Report	✓	✓	✓	✓	Ongoing throughout year	
Audit Committee/External Audit/Senior Team meetings	✓	✓	✓	✓	Ongoing throughout year	
Contract Management & ad hoc advice	✓	✓	✓	✓	Ongoing throughout year	

Debtors & Debt Recovery

System Control Objective 2: Debt recording, collection, recovery, and write-off procedures are sufficient to ensure prompt payment and effective collection.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.1 - Recovery action	<p>Although the Council has an automated process for sending out reminder letters when sundry debt becomes overdue by 14 and 28 days, beyond this not all sundry debt appears to be chased effectively. Sample testing identified cases where no recovery action had been taken since 2011 and as such the debt remained outstanding.</p> <p>In addition it was noted that limited use is being made of the notes functionality within Civica to record what recovery action is being taken in regards to sundry debt.</p>	If sundry debt is not chased in a timely manner there is less likelihood of collection.	3	Management should ensure that all sundry debt appearing upon monthly arrears reports is regularly followed up and chased with notes of actions being taken recorded upon Civica.	We accept that evidence of debt chasing was not available for all of the sample tested. The notes facility within Civica will be used to record all debt recovery activity although this functionality is limited as it cannot be reported upon.	Julie Kenny	December 2012
2.2 - Debt Collection Agents	<p>At present the Council does not enlist the services of third party debt collection agents for chasing of overdue sundry debt.</p> <p>At the time of the review, management were in the process of reviewing the feasibility of implementing such arrangements for certain types of debt but further work was needed to establish exact requirements.</p>	Level of debt recovered is not being maximised.	3	Management should consider enlisting the support of debt collection agents to chase certain categories of overdue debt such as those relating to industrial units, market stalls, licensing and building control etc, prior to considering court proceedings or debt write off.	This was already underway at the time of the review.	Julie Kenny	December 2012

System Control Objective 4: Systems and control procedures are kept under regular management supervision and review to maintain internal control, notwithstanding changes to systems and personnel.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.1 - Aged debt	The value of total sundry debt as at the end of September 2012 stands at £1,128,569 and over 18% of this is over 120 days old. In addition there appears to be an increasing number of invoices that are 90 days or over with an increase from 319 in January 2011 to 576 as at the end of September 2012. This coupled with the recent change in staffing responsible for debt recovery will need to be closely monitored to ensure position does not deteriorate and actions are taken to reduce aged debt.	The profile of aged debt is increasing and if not recoverable could lead to significant write off in future.	3	Management will need to keep a close eye on level of sundry aged debt and introduce further measures to tackle this. The impact of recent changes to debtor team will also need to be closely monitored to ensure the aged debtor position does not worsen as a result.	Accepted, however, the value and profile of debt can change significantly at any one point in time. The debt must be reviewed against the type of debt and managed accordingly.	Julie Kenny	December 2012

Income Management & Cash Receipting

System Control Objective 3: Processes are in place to ensure the complete, accurate and timely collection/receipt, banking and recording of all cash and cash equivalents due to the organisation

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.1 - Refunds	Currently ad-hoc refunds made by cashiers are processed through a chip and pin machine based upon verbal instruction from Council staff and the customer advising of credit/debit card details. Although a log of all refunds is kept, there is no evidence on file within Finance to support the validity and accuracy of the transaction.	Refunds could be made without appropriate justification or for incorrect amounts.	3	Prior to processing refunds through the chip and pin machine it would be prudent to obtain confirmation from the officer requesting the refund detailing value and reason prior to processing and a copy of the instruction retained on file. It is appreciated that this may not always be possible for pest control refunds which are often requested whilst the officer is out on site, but confirmation could be obtained retrospectively in these cases.	Accepted	Julie Kenny	November 2012

Creditors**System Control Objective 1: Requisitions and orders are raised by authorised staff in respect of all goods and services in accordance with Financial Regulations.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 - Tenders / Quotations	Testing of a sample of 20 transactions that required either formal tender or quotations to be obtained as per Financial Regulations identified one case where the quotes provided to support the transaction dated back to Jan 2011, whereas the order was raised in June 2012.	Non compliance with Financial Regulations and value for money may not have been obtained.	3	In order to demonstrate continued value for money previously obtained quotations should not be used to justify future purchases unless items required are similar and only a short time has elapsed since obtaining original quotes.	Accepted. Staff involved in procurement will be reminded of the relevant procedures and practices.	Julie Kenny	December 2012

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.2 – Invoices without orders	During our testing we identified that on a number of occasions (11 of the 30 transactions we tested) orders are being raised retrospectively on Civica ie after invoices have been received. This weakness was also highlighted in the prior year's review and since then action has been taken in the form of a quarterly report being submitted to COB highlighting non compliances within their departments so that management can take appropriate action. This ongoing management action should help to mitigate somewhat the risk of this control weakness in that such transactions are identified and reviewed.	Expenditure is committed without appropriate approval being given.	2	Management should continue to review cases where orders are being raised retrospectively and evaluate whether improvements are being made following introduction of the report to COB members. If no improvement is made then consideration should be given to bringing to account those officers responsible for non compliance with Financial Regulations.	Agreed. Will continue to monitor and a further report will be presented to COB.	Julie Kenny	March 2013

System Control Objective 8: Any additions or changes to creditors' standing data are appropriately authorised and independently reviewed.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
8.1 - Segregation of duties	A member of the finance team with responsibility for processing amendments to the creditor master file also on occasion will carry out creditor processing along with generating payment runs. The officer responsible for generating payment runs also has a responsibility to review changes to the supplier masterfile and as such a lack of segregation exists. We accept that the small size of the team prevents an ideal level of segregation; the key minimum control is that changes to the masterfile are demonstrably independently	Reduced assurance that controls to detect possible fraud or error are operated.	3	Amendments to the supplier masterfile should be independently reviewed and a record of this review retained as evidence.	Independent review of the creditor control report check will be recorded through a signed note on the BACS payment report.	Julie Kenny	Immediate (from 30 Oct 2012)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>reviewed to ensure their suitability. At present this review is not documented.</p> <p>In addition our testing of amendments made to the supplier masterfile identified an instance where a supplier's bank details had been amended based upon details recorded upon an invoice, without any confirmation checks being performed to verify the change with the supplier.</p>	Lack of suitable check with supplier could allow fraudulent amendment to bank details.		In all cases where amendments are made to supplier bank details these should be confirmed with the supplier on known contact details (eg known address/telephone number) prior to updating.	Accepted.	Julie Kenny.	November 2012

Housing Responsive Repairs

System Control Objective 1: Housing repairs are carried out in accordance with relevant legislation and formally agreed procedures.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<u>1.1 - Policy and Procedures</u>	Although housing repair procedures exist, housing repairs staff we dealt with during the audit were not aware of or able to access these; they were not kept in an easily accessible central location.	An inconsistent approach may be taken in the absence of procedural guidelines.	3	Management should ensure that all staff are made aware of housing repair procedures, they are readily accessible, and that these are adhered to.	Procedures have been placed on the Intranet for everyone to access and the matter has been raised at the team meeting.	Ian Parsons	September 2012
<u>1.2 - Tenant Recharge Policy</u>	There is currently no formal policy in place to recharge tenants for repairs that have arisen due to their negligence. It is understood consideration is being given to including reference to tenant recharges in the updated conditions of tenancy, which would require policy agreement by members.	Costs incurred undertaking repairs due to tenant negligence are being paid by the Council.	3	The Council should consider introducing a tenant recharge policy that holds tenants accountable for the cost of repairs that have arisen through their negligence and ensure that processes are in place to enforce this.	A Recharge Policy will be introduced as part of the revised conditions of tenancy.	Ian Parsons	November 2012

System Control Objective 2: Responsive repair requests are properly recorded and assessed to ensure that they are valid.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<u>2.1 - Repairs administration</u>	<p>The administrative processes around repairs and maintenance appear to be very labour intensive and due to the amount of manual input could be prone to inputting errors. This is especially so for raising work tickets, processing variations, inputting completion and timesheet data along with the cost of any materials used.</p> <p>The Council is in the process of procuring a system of hand held devices, which once implemented should remove much of the administrative burden from the team.</p>	Inefficient processing of repairs and manual intervention increases risks of inputting errors.	3	The Council should ensure that when implementing hand held devices, it automates as many processes as possible in order to reduce current administrative burden and improve overall efficiency.	The new Orchard Direct Works Module has been procured to assist with streamlining processes. Once in place, this should reduce the amount of manual processes as handheld devices will be used by engineers to receive and complete jobs.	Ian Parsons	April 2013.

System Control Objective 3: There are appropriately detailed records kept to demonstrate that all repairs are delivered in a prompt and cost effective manner to a satisfactory standard of quality.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<u>3.1 - Performance management</u>	Currently there is very little performance management information being routinely produced and reported upon in relation to the performance and quality of work delivered by the housing repairs section. It is understood that this has partly been due to problems in obtaining reliable and accurate information when running Business Objects reports. The Principal Housing Repairs Officer has been tasked with producing reports from August 2012.	Service standards could deteriorate if performance is not effectively being monitored and reported upon.	3	Management should ensure that performance targets are set for the housing repairs function and these are regularly monitored and reported upon. In addition consideration should be given to monitoring and reporting upon the performance of contractors separately.	Regular performance management information needs to be widened to cover the major aspects of the service. Currently customer satisfaction information is collected and recorded. The Principal Housing Repairs Officer will ensure regular updating of information on the Council's TEN	Ian Parsons	September 2012
<u>3.2 - Contractor Market Testing</u>	The Housing repairs team estimates that during 2012/13 it will sub contract around 20% of its work to specialist preferred contractors. For the first quarter of 2012/13 it will have allocated work in excess of £85k in total to these contractors. Just over half of this amount has been spent with a roofing contractor that was market tested as part of planned maintenance works. In addition some contractors have agreed to use the same schedule of rates as those used by the in house maintenance team. However, not all contractors have recently been market tested or agreed to use the schedule of rates.	The housing repairs team cannot demonstrate it is obtaining VFM from all of its preferred contractors.	3	The Housing repairs team should ensure that it has market tested its key preferred contractors to ensure that it is obtaining VFM in relation to the work they perform.	Sub-contractors used have been part of a competitive evaluation for planned major works. A review of Contractors used, and the associated spend, will take place to further ensure value for money is achieved.	Ian Parsons	January 2013.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<u>3.3 - Housing repairs (in house)</u>	<p>During testing of a sample of 10 housing repair jobs performed by the in house maintenance team the following points were noted:</p> <ul style="list-style-type: none"> • 3 instances where the priority rating for a day works job had not been amended and as such it was incorrectly flagged; • 2 cases where the time entered onto Orchard for undertaking work did not agree back to timesheets; • an instance where a priority 3 job had not been completed to target and took an additional 4 days to complete; • in 1 case a post inspection had been performed almost 3 months after the completion of the job; and • 1 case where the practical completion date recorded upon Orchard was a day earlier than actual. 	If data is not accurately recorded within Orchard this could distort the accuracy of performance monitoring reports. In addition delay in performing post inspections could lead to sub standard work not being identified promptly and action taken to address.	3	<p>a) The housing repairs team should ensure that data is being accurately recorded upon Orchard for all work performed</p> <p>b) Every effort should be made to ensure jobs are completed to target</p> <p>c) Post inspections should be promptly performed.</p>	<p>These type of errors will be reduced when the new Direct Works System is introduced. Until then, random checks of data quality will take place.</p> <p>Performance indicators will be regularly monitored to measure performance against job completions targets.</p>	<p>Ian Parsons</p> <p>Ian Parsons</p> <p>Ian Parsons</p>	<p>September 2012</p> <p>September 2012</p> <p>September 2012</p>
<u>3.4 - Housing repairs (contractor)</u>	<p>During testing of a sample of 10 housing repair jobs allocated to contractors the following points were noted:</p> <ul style="list-style-type: none"> • all work issued to contractors was set up on a nil cost basis within Orchard. It is formally authorised as a variance once work is completed and being invoiced, although a quotation is normally obtained for larger works; 	Value for money may not be obtained and payment of invoices is delayed.	3	<p>a) Management should review the total value of expenditure on contractors to ensure that the council is obtaining value for money in respect of their services.</p> <p>b) Contractor performance should be monitored and reported upon</p> <p>c) Every effort should be made to ensure post</p>	<p>A review of Contractors used, and the associated spend, will take place to ensure value for money.</p> <p>These type of errors will be reduced when the new Direct Works System is introduced. Until then, random checks of data quality</p>	<p>Ian Parsons</p> <p>Ian Parsons</p>	<p>January 2013.</p> <p>September 2012</p>

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<ul style="list-style-type: none"> on 1 occasion the job was not completed by the target date. This was a priority 4 job that was completed a week later than anticipated; and although an internal target has been set to complete post inspections within 5 days of receipt of invoice, we noted 3 occasions where this was not achieved. However, in all cases inspections were performed prior to invoices being passed for payment. 			inspections are completed in a timely manner.	will take place.		
<u>3.5 - Delay in completion status of repairs</u>	<p>The housing repairs team is unable to close jobs promptly as there is up to a 6 week delay between materials being purchased to complete works and the actual invoice being received from Procurement For Housing. As such costs cannot be accurately allocated and jobs closed until all materials costs are known and Orchard has been updated.</p> <p>At the time of this review (start of July 2012) the team were still closing down April 2012 repairs. Although advice notes are obtained when materials are signed for and collected, these do not detail the cost of the items and as such cannot be used to input the materials costs.</p>	Until jobs are closed amendments can be made that could distort reporting.	3	<p>a) The housing repairs team should ensure that it is able to clear the back log of jobs that need to be flagged as ready for invoice and look at other options for closing jobs promptly.</p> <p>b) Discussions should be held with relevant suppliers to seek inclusion of the cost of materials on their advice notes, as this would allow for Orchard to be updated with actual costs on a timely basis.</p>	<p>The backlog of jobs that need to be completed has been reduced.</p> <p>Discussions will take place with suppliers to see if timescales can be improved.</p>	<p>Ian Parsons</p> <p>Ian Parsons</p>	<p>September 2012</p> <p>September 2012</p>

System Control Objective 4: Housing repair costs are effectively controlled in accordance with an agreed budget and are accurately recorded in the financial ledger.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<u>4.1- Leasehold property recharges</u>	During testing of repairs made to a sample of 20 sold or leasehold properties an instance was noted where roofing repair work had been performed to a leasehold property (117 Brookside) in 2011/12, but no recharge had been made in relation to this. The total cost of the repair was £320, of which the leaseholder would be expected to pay the full amount or a proportion of it if other property also benefited from the repair.	The Council is incurring costs that it is not liable for.	3	a) Management should ensure that the cost of work incurred upon leasehold property is being captured within reports from Orchard so that necessary recharges are made. b) Action should be taken to recharge the cost referred to in this case to the relevant leaseholder.	This practice should be in place and the situation will be monitored. An invoice will be raised to recoup the costs of works carried out. The procedure has been reissued for clarity.	Ian Parsons Ian Parsons	September 2012 September 2012
<u>4.2 - Monthly Management Reporting</u>	Due to the delay in getting invoices and material cost information, jobs cannot be closed promptly and data transferred through the weekly interface between Orchard and Civica (Financial Ledger) and as such a delay of at least 6 weeks is usually encountered. This has had an impact upon the subsequent management accounts that are produced from Civica as there is a considerable amount of work in progress (WIP) upon the Orchard system that has not always been reflected in monthly reports for housing repairs. Work is currently ongoing to obtain accurate WIP information from Orchard that can subsequently be used when compiling management accounts for July 2012 onwards.	Performance against budget is not accurately reflected within management accounts.	3	Management should ensure that monthly budget reports for housing repairs are as accurate as possible and include all costs incurred to date along with the income generated by the in-house repairs team up to the date of preparation.	Joint work will take place between the service and finance to provide up to date and accurate financial information.	Ian Parsons / Katherine Bennett	November 2012

Contract Management – Parks & Open Spaces

System Control Objective 1:- Parks and Open Spaces contracts are tendered in accordance with the Council's Standing Orders and Financial Instructions.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 Tendering & Quotation Receipts	Formal receipts are not issued for competitive quotations submitted electronically.	Bidders may perceive that their quotations have not been received or assessed competitively along with other quotations.	3	Quotation bids received electronically should be formally receipted and a confirmation issued to the bidder.	Agreed, this will be put in place.	Caroline Roffey, Public Spaces Manager	September 2012

System Control Objective 2:- Successful contractors are selected in a fair and transparent manner.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 Assessing and selecting tenders & quotations	Sample testing highlighted that only one officer was involved in the assessment and selection process for quotations received in respect of bedding plants and mechanical plant.	Bidders may claim that selection process is subject to bias if only one officer involved.	3	Two officers should be involved in the assessment and selection process for competitive quotations. This could be achieved by maintaining a register for all quotations receive (whether electronically or by post), which can be countersigned by a second officer to demonstrate that they are in agreement with the assessment and selection process.	Agreed, this will be put in place.	Caroline Roffey, Public Spaces Manager	September 2012

Risk Management

System Control Objective 3: Risk registers are reviewed and updated in a timely fashion.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.1 Risk Identification	Although the Risk Management Strategy sets out the key risk categories to be considered when identifying risks, there is no evidence of robust processes in place to ensure that these are taken into consideration during the annual Service Improvement Planning process. Discussions with various service managers revealed differing approaches are being used to identify risks.	Risks may be missed and therefore not managed appropriately.	3	Processes should be introduced to ensure that risk identification is robust and consistent across the Council. Consideration should be given to re-establishing the annual process whereby corporate services facilitated risk brainstorming sessions.	In order to ensure consistency Corporate Services will ensure that during the service improvement process a systematic approach to assessing and identifying risks for each action is used. This will lead to the ability to complete the additional column in the SIP	Louisa Horton	April 2013

System Control Objective 4: Robust reporting arrangements are in place to ensure risk registers inform corporate and Committee reporting and that Strategic and service risk registers inform each other.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.1 Committee Reports	Although the template used to produce all committee reports includes a "Risk Implications" section which prompts authors to ensure that risks are captured on project, service or corporate risk registers, no evidence was seen that there is a robust process in place to ensure that this happens in practice. Some service managers consulted agreed that this was not necessarily always the case.	Risks may not be managed	3	A process should be developed to ensure that all applicable risks identified on reports to committees and groups are linked back to the risk registers.	A manual system involving officers in corporate services will commence this process, to ensure that the risks identified in reports feed into service risk registers. At first this will be prompts and lead to embedding the process as standard	Louisa Horton	Immediate