

cw audit services

Hinckley & Bosworth Borough Council

Internal Audit  
Progress Report 2012/13

January 2013



## **1. Introduction**

This report summarises the work of Internal Audit for the period to the end of December 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 190 days of work against the plan to end of December 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
Council Tax	This audit examined the overall control framework in place regarding Council Tax operated by the Leicestershire Revenues & Benefits Partnership on behalf of HBBC (as well as other partners). A Significant Assurance Opinion was provided, with 1 medium level and 7 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. Suitable, authorised policies and procedures are in place covering Council Tax processing, and staff are aware of these and that they need to comply with them.		√			
2. Relevant property records are accurately, comprehensively and efficiently maintained and updated.		√			
3. Council Tax liability is determined efficiently and in line with statutory requirements for all properties.		√			
4. Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person or persons liable.	√				
5. The application of discounts/exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence.		√			
6. Secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct tax payers' accounts.	√				
7. Collection rates and other key performance indicators are regularly monitored.	√				
8. Refunds are in accordance with regulations and the Council's Standing Orders and Financial Regulations and all refunds are valid and authorised.	√				
9. Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements.	√				
10. Non-recoverable debts are written-off in accordance with policy and with suitable authorisation.		√			
11. There is a routine reconciliation between the main accounting system, the Council Tax system and the Cash Receipting system.	√				

The 1 medium level risk issue and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering Council Tax processing, and staff are aware of these and that they need to comply with them.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>1.1 Policies and Procedures</u></b>	As recommended during the previous audit, standard procedure notes should be developed to ensure that a consistent approach to CT processing is undertaken across all three councils within the partnership. This is included on the Partnership's Service Improvement Plan for 2012/13 which is monitored on a monthly basis. The expected completion date is March 2013.	Inconsistencies	3	Every effort should be given to ensuring that the completion date of March 2013 for the standardised procedure notes is achieved.	Our plan is that processes and procedures are harmonised by 31 <sup>st</sup> March 2013.  Where processes relate to implementation of Capita products in 2013/14 processes will be reviewed accordingly	Sue Williams-Lee	31 <sup>st</sup> March 2013

Review	Summary	Level of assurance				
Business Rates	This audit examined the overall control framework in place regarding Business Rates operated by the Leicestershire Revenues & Benefits Partnership on behalf of HBBC (as well as other partners). A Significant Assurance Opinion was provided, with 1 medium level and 6 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Suitable, authorised policies and procedures are in place covering Business Rates processing, and staff are aware of these and that they need to comply with them.		√				
2. Relevant property records are accurately, comprehensively and efficiently maintained and updated.		√				
3. Business Rates liability is determined efficiently and in line with statutory requirements for all properties.	√					
4. Billing procedures are in accordance with statutory regulations and amounts due in respect of each chargeable property have been correctly calculated and promptly demanded from the person or persons liable.	√					
5. The application of reliefs and exemptions is authorised in accordance with statute, the authority's policy and is supported by documentary evidence.		√				
6. Secure and efficient arrangements are made for all collections, and all collections are promptly posted to the correct tax payers' accounts.	√					
7. Collection rates and other key performance indicators are regularly monitored.	√					
8. Refunds are in accordance with regulations and the Council's Standing Orders and Financial Regulations and all refunds are valid and authorised.	√					
9. Recovery and enforcement procedures are managed efficiently and in accordance with statutory requirements.	√					
10. Non-recoverable debts are written-off in accordance with policy and with suitable authorisation.		√				
11. There is a routine reconciliation between the main accounting system, the Business Rates system and the Cash Receipting system.	√					

The 1 medium level risk issue and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering Business Rates processing, and staff are aware of these and that they need to comply with them.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>1.1 Policies and Procedures</u></b>	As recommended during the previous audit, standard procedure notes should be developed to ensure that a consistent approach to business rates processing is undertaken across all three councils within the partnership. This is included on the Partnership's Service Improvement Plan for 2012/13 which is monitored on a monthly basis. The expected completion date is March 2013.	Unintended inconsistencies in processing	3	Every effort should be given to ensuring that the completion date of March 2013 for the standardised procedure notes is achieved.	Our plan is that processes and procedures are harmonised by 31 <sup>st</sup> March 2013.  Where processes relate to implementation of Capita products in 2013/14 processes will be reviewed accordingly	Sue Williams-Lee	31 <sup>st</sup> March 2013  Ongoing

Review	Summary	Level of assurance				
Benefits	This audit examined the overall control framework in place regarding Housing & Council Tax Benefits operated by the Leicestershire Revenues & Benefits Partnership on behalf of HBBC (as well as other partners). A Significant Assurance Opinion was provided, with 4 medium level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1 Suitable, authorised policies and procedures are in place covering Benefits processing, overpayments and counter fraud, and staff are aware of these and that they need to comply with them.		√				
2 Processes are in place to ensure all benefit claims are processed and payments made in accordance with regulations and relevant policies, and are legitimate and appropriate.		√				
3 All relevant records and accounts are accurately updated in a timely manner to record all benefits transactions (including reconciliations to feeder and other systems).	√					
4 All payments and associated output are timely, recorded securely and data protected against unauthorised access.		√				
5 Overpayments of benefit are identified and accounted for in accordance with legislation/regulations, the organisation's policy, standing orders and financial regulations, and recovery (and where non-recoverable, write off) arrangements are efficient and effective.	√					
6 Fraud investigation is in accordance with statute, professional guidelines and the organisation's Standing Orders, Financial Regulations and relevant policies.	√					
7 Processing times, accuracy, overpayment levels, fraud case outcomes and other key performance indicators are regularly monitored.	√					

The 4 medium level risk issues and management's response are set out below:

**System Control Objective 1: Suitable, authorised policies and procedures are in place covering Benefits processing, overpayments and counter fraud, and staff are aware of these and that they need to comply with them.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>1.1 Policies and Procedures</u></b>	As recommended during the previous audit, standard procedure notes should be developed to ensure that a consistent approach to benefits processing is undertaken across all three councils within the Partnership. This is included on the Partnership's Service Improvement Plan for 2012/13 which is monitored on a monthly basis. The expected completion date is March 2013.	Unintended inconsistencies in processing	3	Every effort should be made to ensure that the completion date of March 2013 for the standardised procedure notes is achieved.	Our plan is that processes and procedures are harmonised by 31 <sup>st</sup> March 2013.  Where processes relate to implementation of Capita products in 2013/14 processes will be reviewed accordingly	Leigh Butler	31 <sup>st</sup> March 2013  Ongoing

**System Control Objective 2: Processes are in place to ensure all benefit claims are processed and payments made in accordance with regulations and relevant policies, and are legitimate and appropriate.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>2.1 New claim processing</u></b>	All new claims tested for all three partners had a completed application form and supporting documentation on file. Of the sample of 75 claims tested (25 for each partner authority) 14 had been processed outside the 23 day turnaround target, although the average processing time for the whole sample was 10.4 days.	Targets not met.	3	Continue to monitor and improve processing deadlines of new benefit claims.	We are aware of performance and will continue to make changes required to improve on this.  Benefit Team Leaders have and will continue to improve turnaround times.  We are working with the DWP Performance Division to improve processes of Atlas/ETD	Leigh Butler & Benefit Team Leaders	31 <sup>st</sup> March 2013 and ongoing



Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
					data which in turn will assist new claim time		
2.2 <b><u>Change of circumstance processing</u></b>	All changes of circumstances had been processed correctly and the claimant had been notified in all cases. Of the sample of 75 claims tested (25 for each partner authority) 10 had been processed outside the 17 day turnaround target, although the average processing time for the whole sample was 6.3 days.	Targets not achieved. Overpayments may be generated.	3	Continue to monitor and improve processing deadlines of changes of circumstances.	We are aware of performance and will continue to make changes required to improve on this.  Benefit Team Leaders have and will continue to improve turnaround times.  We are working with the DWP Performance Division to improve processes of Atlas/ETD data which in turn will assist new claim time	Leigh Butler & Benefit Team Leaders	31 <sup>st</sup> March 2013 and ongoing

**System Control Objective 4: All payments and associated output are timely, recorded securely and data protected against unauthorised access.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.1 <b><u>Declaration of interests</u></b>	We confirmed through discussion with the Partnership Manager that a declaration of interests has not been completed for all HBBC and NWL staff; for the HDC staff a declaration has been signed but was completed in 2010. This matter was raised in the previous year's Internal Audit report and agreed to be addressed by January 2012.  Management noted in response to the previous audit report that "There is an audit log held within the Capita Academy systems	Employees could access and process claims/ transactions involving family and friends without the Partnership or relevant Council having any knowledge.	3	a) Arrangements should be put in place as soon as practicable to ensure all staff declare any interests they may have.	A response from Unison is due imminently – end of December 2012.  Work with HR teams to agree process for this.  Also HR will include within their own policies to ensure staff who claim benefit / any claims maintenance will	Leigh Butler & HR Managers	31 <sup>st</sup> March 2013 (Agreement with HR managers concerning forms and procedures to be adopted)

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>of who has viewed and updated records. Additionally, a further system control already exists which prevents users from accessing pre-determined accounts. 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." Clearly these are mitigations however the need for a declaration of interests remains.</p> <p>The Partnership Manager advised that the proposal currently is that HDC's declaration of interest form and NWL's declaration statement will be used for all staff within the Partnership. The Partnership Manager is currently discussing the declaration with all 3 council's Human Resource Managers and Unison to agree the contents of and approach to the declaration.</p>			<p>b) Staff should be prevented from working on or accessing any cases in which they have declared an interest.</p> <p>c) In advance of the arrangements for formal declarations being made by all staff, it would be prudent for a reminder to be issued to all staff regarding their contractual obligations regarding accessing the benefits system/data and the possible consequences of a breach.</p>	<p>be undertaken by benefit team leader and must go through that channel.</p> <p>Staff and system users will be informed to include completion of declaration</p> <p>Staff who have declared an interest will not have access to claim records and this is controlled within the benefit application.</p> <p>Staff will be informed before procedure is implemented of the contractual responsibility to inform and advise accordingly. This will be coordinated through HR teams</p>		<p>31<sup>st</sup> May 2013 (Anticipated)</p> <p>30th April 2013 (Anticipated)</p>

## 4. Recommendation tracking

CW Audit Services has 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. A further update for the Committee is provided below. This refers to all actions agreed and due by 1/1/13 in relation to audit reports issued in the current year up to now, 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 1/1/2013, the second table the age of the outstanding recommendations (based on the original 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 1/1/2013	-	-	21	11	32
Implemented	-	-	12	8	20
Closed (effectively implemented or system changed)	-	-	-	-	-
In progress but not complete	-	-	4	1	5
Outstanding (not started)	-	-	5	2	7

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

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
3 – 6 months	-	-	3	-	3
Greater than 6 months	-	-	2	1	3
Total	-	-	9	3	12

The 3 issues more than 6 months overdue are as follows:

Review	Recommendation	Risk Rating	Response	Current Status per update
2011/12 Homelessness	<u>Plain English letters</u> The Council should review and amend the letters provided to applicants in regards to their application. Decision Letters should be concise and provide all the relevant information and all the statutory requirements.	4	Letters will be reviewed and training undertaken with Officers. January 2012 - Jo Wykes	Officers have attended letter writing courses and have made progress on some letters. All letters are to be completed by the end of the financial year - rescheduled to be completed by 31/3/13
2011/12 Homelessness	<u>Orchard System</u> The Council should ensure there is a review of the effectiveness of the Orchard system for the Homelessness function.	3	A review of the Orchard system was planned. January 2012 - Jo Wykes	A full review of Orchard will take place before the end of the financial year – rescheduled to be completed by 31/3/13
2011/12 Financial Regulations	<u>Orders</u> a) It is recommended that the Financial Procedure Rules be	3	Will be considered during next revision of FPR. Dec 2011 - Julie Kenny	The revisions to Finance Procedures have been drafted and are being presented to Council in

Review	Recommendation	Risk Rating	Response	Current Status per update
	<p>reviewed to include a paragraph regarding the 'Orders for Work, Goods and Services'. The regulation could be worded to state that:</p> <p>"Orders for work, goods and services must be made by the person receipting the goods or services. Orders must subsequently be authorised in accordance with authorised approvers and their approval limits".</p> <p>b) Instances of non-compliance should continue to be monitored and appropriate action taken.</p> <p>c) Management should consider introducing a statement where staff members sign to confirm that they have read and understood the Council's Financial Procedure Rules. This can also be achieved via a centralised policy acceptance system.</p>			January 2013.

## 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)			✓		Final report issued	Significant
Business Rates (see note above re LRBP)			✓		Final report issued	Significant
Benefits (see note above re LRBP)			✓		Final report issued	Significant
Benefit Fraud Investigation ( joint review with OWBC)			✓		Draft report issued	
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 issued	
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

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Fuel Controls		✓			Draft report issued	
Contract Management (Grounds Maintenance)	✓				Final report issued	Significant
Additional review: Housing Repairs			✓		Complete	N/A
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	