

# Hinckley & Bosworth Borough Council

## Internal Audit Progress Report 2012/13

March 2013



## **1. Introduction**

This report summarises the work of Internal Audit for the period to mid February 2013. The purpose of the report is to update the Committee on progress made in delivering the 2012/13 audit plan.

## **2. Progress summary**

The internal audit plan for the 2012/13 year (agreed in June 2012) 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, and a further 6 days was agreed regarding an additional review on Housing Repairs, as discussed at the last meeting. Section 5 provides details of all 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 225 days of work against the plan to mid February 2013, which is in line with our planned profile at this stage of the year. Management has requested we delay 2 reviews (Tenant Scrutiny and Sheltered Housing) into 2013/14 (a total of 16 planned days), thus we expect to deliver 270 days in total in 2012/13.

## **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				
Benefit Fraud Investigation	This audit examined the arrangements for managing service provision to Oadby & Wigston Borough Council (OWBC) regarding the investigation of suspected benefit fraud. 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.	<b>Significant</b>				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Suitable approved policies and processes are in place to ensure a robust approach to fraud investigation, including arrangements for risk assessing and prioritising cases, performing and documenting work, reviewing/signing off investigations and approving sanctions		√				
2. Arrangements ensure compliance with and delivery of approved policies and processes.		√				
3. Arrangements ensure achievement of value for money in terms of cost and outcomes/performance		√				
4. Management processes are in place to provide routine assurance to the Council on the above control objectives		√				

The 2 medium level risk issues and management's response are set out below:

**System Control Objective 1: Suitable approved policies and processes are in place to ensure a robust approach to fraud investigations, including arrangements for risk assessments and prioritising cases, performing and documenting work, reviewing / signing off investigations and approving sanctions /**  
**System Control Objective 2: Arrangements ensure compliance with the delivery of approved policies and processes.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 <b><u>Procedural guidance</u></b>	We noted that the Fraud Investigation Team (FIT) Procedure Manual in place within the Shared Service Partnership led by HBBC which governs the practices followed in relation to the service to OWBC contained	Increased risk of procedures followed not complying with approved policy.	<b>3</b>	It should be ensured that the Policy as approved by Committee is included in the FIT Procedure Manual to eliminate any possibility of incorrect policy	Agreed, the FIT Procedure Manual will be updated to reflect latest policy.	Claire Webber	February 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	OWBC's Housing and Council Tax Benefit Prosecution Policy, however this differed from the Policy approved by OWBC's Resources Committee on the 17th November 2009. While the documents were generally consistent, there were some key differences relating mainly to the identity of the prosecuting officer at OWBC. We are not aware that this has caused any practical problems to date.			/ procedures being followed.			

### System Control Objective 3: Arrangements ensure achievement of value for money in terms of cost and outcomes/ performance

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.1 <b><u>Clear and Up to date SLA</u></b>	<p>The Service Level Agreement was put in place in October 2009. Whilst we consider that the agreement is reasonable and that the arrangement does represent value for money for OWBC given performance (which is meeting targets) and the current charge of c£33k, there are various aspects in which we consider it requires review:</p> <p>a) the original agreement makes no reference to the charge for the service. We understand that it was meant to be an overarching document and that further detail was meant to support it. Clearly budgets have been agreed between OWBC and HBBC, however there have been some issues around the calculation of the charge from HBBC and it would be preferable for a clear cost/charge level to be set within the</p>	Service Level Agreement does not provide up to date and clear basis for the service provision and cost, risking disagreement between the parties.	<b>3</b>	<p>It should be ensured that the Service Level Agreement is reviewed annually and updated where required to include:</p> <ul style="list-style-type: none"> <li>- agreed charge for the service</li> <li>- clear reflection of agreed inputs ie posts and time equivalents, as far as the parties agree to be necessary and helpful</li> <li>- correct job titles and other operational changes</li> <li>- current agreed performance targets.</li> </ul>	<p>Agreed, a review of the SLA will take place in April 2013. This review will include updating:</p> <p>Service charges Job titles Performance levels Staff input Other relevant data</p>	Daren Nowlan (OWBC)	April 2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>document or a schedule to it.</p> <p>b) Alongside the issue of cost, the agreement refers to a staffing structure but does not specify the resource inputs OWBC can expect for any agreed cost. In practice the parties have agreed levels of FTE inputs of the staff involved (an investigator, team manager and administrative support).</p> <p>c) The agreement set a performance target regarding sanctions in general; since that time an additional target has been agreed regarding prosecutions.</p> <p>d) The agreement has not been reviewed and amended since its inception, and there are aspects which are now out of date, e.g. reference to outdated job titles.</p> <p>With regard to b) above we recognise that performance is likely to be of most importance and a strict adherence to provision of specific posts to specific levels of FTE may not be the most appropriate means of delivering an agreed level of performance. However the lack of clarity of the current agreement on cost and inputs increases the risk of a disagreement between the parties on this matter.</p>						

Review	Summary	Level of assurance				
Fuel Controls	This audit examined the arrangements for managing the Council's fuel store and usage. A Significant Assurance Opinion was provided, with 5 medium level and 1 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. Security and access controls over fuel supplies are sufficient to prevent unauthorised removal and use of fuel.		✓				
2. All fuel deliveries are properly recorded and received in full in accordance with what had been invoiced.		✓				
3. All issues of fuel from the central supply are authorised and recorded.		✓				
4. Vehicle routes and usage are planned in accordance with the requirement to maximise the efficient consumption of fuel.	✓					
5. Fuel consumption rates for each vehicle are monitored against agreed targets and action is taken to investigate apparent shortfalls against these targets.			✓			

The 5 medium level risk issues and management's response are set out below:

### System Control Objective 1: Security and access controls over fuel supplies are sufficient to prevent unauthorised removal and use of fuel

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>1.1. CCTV Security Camera</b>	There is a CCTV camera situated close to the fuel tank, but the motion detection system on the CCTV security camera does not currently work. Physical inspection confirmed that the camera could not pick up the presence of the auditor at the fuel	Unauthorised access/ use of fuel may go undetected.	<b>3</b>	The CCTV security camera motion detection facility should be fully operational.  It should be confirmed that CCTV at the new depot site	CCTV equipment comes under the remit of the Estate & Asset Team IP to liaise with Matt Burn concerning repairs to equipment.	Matt Burns Ian Pinfold	Dec 12

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>refilling station.</p> <p>The depot is due to move to a new site in March 2013. It is understood that CCTV will be in operation at the new site, although at this stage it is unclear whether the fuel refilling station will be covered by CCTV cameras.</p>			includes coverage of the fuel refilling station.	CR/IP to liaise Estates & Assets team regarding new depot.	Caroline Roffey Ian Pinfold	Mar 13

### System Control Objective 3: All issues of fuel from the central supply are authorised and recorded

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>3.1 Daily Log Sheets</b>	<p>A daily log sheet is kept for each vehicle in order for maintenance and safety checks to be undertaken. Daily log sheets should also record the vehicle odometer reading. Drivers are also required to log the odometer reading each time vehicles are refueled. It is intended to introduce independent reviews of the odometer readings on the daily log sheets against those recorded on the system for refuels, although at the time of audit this check was not operational.</p> <p>Audit undertook a comparison of odometer readings on daily log sheets to those recorded on the fuel system for twelve vehicles sampled from five different service areas. Six of the vehicles were successfully confirmed to the daily log sheets. Four vehicles from two service areas (Housing, Environmental) could not be confirmed as recording of the odometer on the log sheets is carried out on a weekly rather than daily basis. Two further vehicles (Grounds) could not be verified as there are no records of odometer readings maintained on the log sheets.</p>	Independent confirmation of mileage recorded on refuels not possible for all vehicles.	<b>3</b>	Daily log sheets should be maintained for all vehicles that should include daily odometer readings.	Agree, Service Area Managers to implement Manual log books or PDA	Service Area Manager	Mar 13
				Independent confirmation of mileage recorded on refuels to mileage recorded on daily log sheets should be undertaken on a sample basis, with evidence of this checking being retained.	Service Area Managers to implement	Service Area Manager	Mar 13
<b>3.2 Override Keys</b>	There are three override fob keys that are used on occasions when hire vehicles are used. They are held by the following supervisors and the litres charged	Unauthorised use of override key fob may	<b>3</b>	Records should be maintained detailing the registration and mileage details of all vehicles	Agree Service Area Supervisors to implement system of	Service Area Supervisors	Dec 12

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>against these keys from the period April to August 2012 is also documented:</p> <ul style="list-style-type: none"> <li>• Refuse Transport Supervisor - 2590 litres</li> <li>• Street Cleansing Supervisor - 1394 litres</li> <li>• Grounds Maintenance Supervisor - 327 litres</li> </ul> <p>Discussions with the Principal Public Space Officer and Senior Accountant highlighted that no vehicle or mileage details are recorded when these override keys are used.</p>	not be identifiable.		that are refueled using the override fob keys.	record information		

**System Control Objective 5: Fuel consumption rates for each vehicle are monitored against agreed targets and action is taken to investigate apparent shortfalls against these targets**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>5.1 Fuel Consumption Monitoring</b>	<p>The Senior Accountant maintains a spreadsheet that monitors the number of litres used and the mileage travelled by each vehicle. Total fuel costs are monitored for each service area against budgets, but regular monitoring of the fuel efficiency of each vehicle has not yet been introduced. Miles per litre figures have been calculated for all of the refuse vans for the 2011/12 year, but no similar figures have been introduced for vehicles from other service areas and no figures have been produced as year for fuel usage in 2012/13.</p> <p>The 2011/12 fuel consumption rates for the refuse vehicle fleet have produced lower than expected results (ranging between 0.78 and 0.98 miles per litre), although the Council does not currently have any</p>	Unacceptable fuel consumption rates may not be identified and investigated.	<b>3</b>	<p>A more robust system for regular monitoring of fuel consumption rates for individual vehicles needs to be introduced. This should include:</p> <ul style="list-style-type: none"> <li>• Setting of expected consumption rates for all vehicles. This may require a tolerance range to be set for some vehicles, as consumption rates can vary depending on vehicle usage.</li> <li>• Six monthly production of consumption rates for individual vehicles for each service area.</li> <li>• Records of investigation</li> </ul>	Agree	Service area Managers  Senior Accounts	Jan 13



Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	standard consumption rates against which to benchmark these results. There are currently no documented reasons available to explain variances between results for individual vehicles, although it may be related to whether they are being used on urban or rural routes.			/ explanations by relevant managers where consumption rate results fall below expected levels.			
<b>5.2 NAVMAN System</b>	The Council has purchased a system called NAVMAN on a five year contract, which is due shortly due for renewal. The system was originally purchased to provide security tracking, but its use could be extended to provide further valuable monitoring information. For example vehicles can be set up in a 'go zone', which identifies if a vehicle goes in a particular area that is beyond pre-determined boundaries. If this happens, an email is generated and sent to the appropriate supervisor. It also monitors speed, mileage and when the engine is on or off. It is understood that technical issues sometimes arise where the system is not available for use and it was also noted that the NAVMAN system is not installed on all vehicles.	Lost opportunity for effective monitoring of vehicle usage.	<b>3</b>	Service departments should make further use of the NAVMAN system.	Investigate possible new system through the Procurement process.	Caroline Roffey Ian Pinfold	May 13

## Anti-fraud

We undertook a review to benchmark the Council's overall arrangements for preventing and investigating fraud and corruption against the guidance included in the national strategy document 'Fighting Fraud Locally – The Local Government Fraud Strategy.' This did not seek to provide an assurance opinion, but did highlight that whilst the Council has some effective measures in place to tackle fraud and corruption, there are also a number of areas where improvements could be made in the light of guidance included in the Local Government Fraud Strategy. 2 medium and 2 low risk level recommendations were made; the 2 medium level issues and management's response are set out below.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b>1.1</b> <u>Risk Assessment - NFA fraud loss tool</u>	The Local Government Fraud Strategy (LGFS) recommends that all authorities use the fraud loss tool available on the National Fraud Authority (NFA) website to determine their likely fraud risk exposure. Fraud risk would be included as part of the Council's normal risk assessment and treatment processes, but the tool recommended by the LGFS has not been specifically utilised.	Fraud risks may be missed.	<b>3</b>	HBBC should use the NFA fraud loss tool to determine the Council's likely fraud risk exposure and ensure that all potential risks have been addressed.	Agreed. The Fraud loss tool will be assessed and we will adopt relevant elements.	Julie Kenny	April 2013
<b>1.2</b> <u>Resilience Check</u>	The LGFS also recommends that Councils use the free resilience tool on the National Anti-Fraud Network (NAFN) website to perform a resilience check of their current fraud response capabilities.	Council may not be resilient against changing fraud threats.	<b>3</b>	The Council should perform a resilience check of its current capabilities by making use of the free resilience tool on the National Anti-Fraud Network (NAFN) website.	Agreed.	Julie Kenny	April 2013

### **Housing Repairs – additional review**

We were requested by management to undertake a further review on housing repairs, following identification through budget monitoring of queries around the reported expenditure on this service. A briefing report was produced for management; we understand management will be reporting separately on this as part of this agenda.

## **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 31/1/13 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 31/1/2013, 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 31/1/2013	-	-	25	19	44
Implemented	-	-	13	8	21
Closed (effectively implemented or system changed)	-	-	-	4	4
In progress but not complete	-	-	4	4	8
Outstanding (not started)	-	-	8	3	11

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	-	8	6	14
3 – 6 months	-	-	3	-	3
Greater than 6 months	-	-	1	1	2
Total	-	-	12	7	19

The 2 issues more than 6 months overdue are as follows (the status reported is as per the previous meeting):

Review	Recommendation	Risk Rating	Response	Current Status per update
2011/12 Homelessness	<p><u>Plain English letters</u></p> <p>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.</p>	4	<p>Letters will be reviewed and training undertaken with Officers.</p> <p>January 2012 - Jo Wykes</p>	<p>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</p>
2011/12 Homelessness	<p><u>Orchard System</u></p> <p>The Council should ensure there is a review of the effectiveness of the Orchard system for the Homelessness function.</p>	3	<p>A review of the Orchard system was planned.</p> <p>January 2012 - Jo Wykes</p>	<p>A full review of Orchard will take place before the end of the financial year – rescheduled to be completed by 31/3/13</p>

## 5. 2012/13 Internal audit plan

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Budgetary Control				✓	Scope agreed, starting in March	
Main Accounting			✓		Final report issued	Significant
Capital Accounting				✓	Timing and high level scope discussed, to start in April	
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)			✓		Assurance letter issued	Significant
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)				✓	Scope agreed, in progress	

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		✓			Final report issued	Significant
Payroll & Expenses				✓	Draft report issued	
Legal Services (IT audit - case management system)			✓		Work underway	
Allocations – Choice Based Lettings	✓				Final report issued	Full
Housing Rents			✓		Draft report issued	
Tenant Scrutiny				✓		Requested to postpone into 2013/14
Sheltered Housing				✓		Requested to postpone into 2013/14
Argents Mead				✓	Scope discussed, work to start late February	
Town Centre Regeneration				✓	Scope discussed, work to start March	
Housing Repairs		✓			Final report issued	Significant

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