

# Hinckley & Bosworth Borough Council

## Internal Audit Progress Report 2013/14

March 2014



## 1. Introduction

This report summarises the work of Internal Audit to early March 2014. The purpose of the report is to update the Committee on progress made in delivering the 2013/14 audit plan and in the level of implementation of actions agreed by management in relation to audit recommendations.

## 2. Progress summary

The internal audit plan for the 2013/14 year totals 291 days (including work in relation to Leicestershire Revenues & Benefits Partnership (LRBP) systems). Section 5 provides details of all the audit assignments included in the 2013/14 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 246 days of work against the plan to date.

## 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				
Payroll	This audit examined the adequacy of the control environment in relation to the Council's payroll arrangements. A Significant Assurance Opinion was provided, with 4 medium and 3 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. Permanent payroll data held on the system is accurate, and any amendments to payroll data are valid, accurate, appropriately authorised and timely.			√			
2. All deductions made from salaries are accurate, timely and authorised.	√					
3. The payroll is processed in an accurate and timely manner, including any temporary variations to pay.	√					
4. The security of payroll data is adequately maintained.	√					

The 4 medium level recommendations, and management's response, are set out below:

**System Control Objective 1: Permanent payroll data held on the system is accurate, and any amendments to payroll data are valid, accurate, appropriately authorised and timely.**

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>1.1 Authorised Signatory List</u></b>	A hard copy authorised signatory list is in place for purchase orders, but not specifically for signing off manual timesheets/mileage claims. There is an establishment list built into the ITrent system which shows who is the employee's line manager, but signatures are not always easy to identify.	Inappropriate authorisation	3	Consideration should be given to how signatures on manual timesheets/mileage claims can be identified to ensure that the signatory is authorised to approve – either a hard copy authorised signatory list should be held in the HR/Payroll Section to allow checking of manual timesheet/mileage claim authorisation or, preferably, the possibility of retaining a copy of signatures on the ITrent system should be investigated.	Agreed. A list of signatories will be established and manual timesheets/mileage claims will be checked. The list can be held electronically but not within ITrent.	Beverley Bee	March 2014
<b><u>1.3 Change Forms</u></b>	The Payroll Processing Procedure Note states that change forms are to be completed, signed and dated.  Testing of a sample of 10 changes to payment details (e.g. acting up payments, honorarium, additional shifts) during the year found that the majority of supporting documentation was emails and that change forms had not been completed. On 2/10 occasions notification of an acting -up payment and payment for additional hours were noted on timesheets, which although were appropriately authorised, did not capture all of the required information that completion of a change form ensures.	Inaccurate changes made.	3	The Procedure Note should be complied with.  However, if the decision is taken that change forms are no longer required, the procedure note should be updated.  It is our opinion that emails from an appropriately authorised officer is sufficient, however an email or a change form should be produced to support information contained on timesheets.	Procedure notes will be updated to ensure emails/countersigned notes on timesheets are provided where a temporary acting up or change is made. Change forms will be used for any long term/permanent changes.	Beverley Bee	March 2014
<b><u>1.6 Proof of ID</u></b>	The new starter checklist sets out documents required as proof of identity and eligibility to work in the	Ineligibility to work.	3	The procedures for new starters should be complied with.	Agreed.	Daniel Brooks	Immediate

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>UK:</p> <ul style="list-style-type: none"> <li>• passport</li> <li>• document issued by previous employer. IR, Benefits Agency, Contributions Agency or Employment Service which states NINO of the named person</li> <li>• Certificate of registration</li> <li>• Certificate of entitlement</li> <li>• birth certificate</li> <li>• passport (of EEA)</li> </ul> <p>Testing of 10 new starters found that appropriate proof of identity was provided for 9/10 new starters. However, in one case the only form of identity on file was a copy of the employee's driving licence which is not in line with the procedures. The employee no longer works for the authority.</p>						
<b><u>1.7 Overpayments</u></b>	<p>One overpayment has arisen during the year due to failure to complete a leaver's form on a timely basis within the HR Section. It is understood that HR sent out a letter terminating a member of staff's employment but did not complete a leaver's form to prompt the Payroll Section to cease payments. The member of staff in HR then went off on compassionate leave and hence the overpayment arose.</p>	Overpayments may not be recovered.	3	Staff should be reminded to raise leavers' forms on a timely basis.	Agreed.	Julie Stay	Immediate

Review	Summary	Level of assurance				
Section 106 agreements	This audit examined the adequacy of the control environment in relation to the administration of Section 106 agreements with developers. 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.	Significant				
System control objective	Level of Assurance					
	Full	Significant	Moderate	Limited	No	
1. Arrangements are in place to ensure the Council complies with statutory requirements, regulations and best practice regarding agreements.	✓					
2. There is a comprehensive monitoring process in place to ensure the provisions within agreements are met		✓				
3. Processes in place ensure the completeness of information on required financial contributions and conditions		✓				
4. Adequate and effective financial monitoring processes are in place covering incomings and outgoings to ensure these are appropriate and complete		✓				

The recommendations made (all medium risk) and management's responses, are set out below:

Recommendation	Response	Who	When
R1. It should be ensured that all cases within 12 months of a clawback date are identified on a monthly or at least quarterly basis, and that an action plan is put in place to ensure required and available funds are spent according to the terms of the relevant agreement. The action plan should be monitored through the officer working group being established, and also should be the subject of reports to the Section 106 Forum.	Reports sent to Parish & Town Councils quarterly which identifies all monies including those nearing clawback. Action plan to ensure funds are spent according to the terms of the relevant agreement to be put in place	Karen Pegg and Jenny Brader	Complete by 1 August 2014

Recommendation	Response	Who	When
R2. Management should ensure that there are regular (suggest monthly) meetings of lead officers from all relevant services regarding the establishment, monitoring and delivery of obligations/contributions; action points from these should be agreed and recorded to support the effectiveness of these process and also linking to R1. above.	Meetings agreed to be scheduled 6 weekly to be led by Nic Thomas and Katherine Plummer	Nic Thomas and Katherine Plummer	Immediately
R3. Management should ensure the process of reconciling and agreeing the financial elements of Planning and Finance's records is completed as soon as possible, certainly to ensure accounts closedown can reflect figures known to be as accurate and up to date as possible. The Planning team should consult further with Finance to make sure this is the case.	In order to ensure effective data collection, a single record of all contributions is to be maintained in planning, combining all information required by finance, planning and legal. Work has been performed to transfer all information from finance into this spreadsheet and therefore will ensure that going forward no reconciliation is required.	Karen Pegg and Stuart Ellis	Complete by 1 August 2014
R4. Consideration should be given to retaining a unified record such as the Planning spreadsheet or an extract from it, on a shared drive accessible by all relevant parties, but particularly Finance, to facilitate the ongoing process of ensuring records are accurate.	Currently working towards a unified record which all parties can share and extract from with a view to having it in place within 6 months.	Karen Pegg	Complete by 1 August 2014

## **Housing Repairs:**

Our review sought to provide assurance around the following control objectives:

- Priced, suitably authorised orders are raised (on the Orchard system) in advance of the works for each repair job
- Management have put in place sound processes to ensure payment is only made for works completed in relation to properly ordered jobs
- Management have put in place arrangements to ensure clarity in relation to job prices e.g. schedules of rates wherever possible, specific quotations in other cases
- Repair job data on the Orchard system is accurate and up to date with specific regard to job completion, costs and work carried out on each job
- Management have implemented effectively, and have processes to ensure continued implementation of, the improvement plan put in place following review of the service during 2012/13
- Arrangements to carry out repairs to void properties prior to re-let seek to obtain best value for money from such repairs, and management have assurance on this matter.

We issued a management letter in relation to this review. We made 2 medium level recommendations, which are set out below, together with management's responses:

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
<b><u>1.1 Zero Valued Jobs</u></b>	<p>As at the end of October, 2234 jobs were shown on the Orchard system where job cards had been raised, 861 of these did not have order values entered. As per discussions with the Housing Repairs Officer, it is appropriate that in some cases a job will be raised with a value of zero, for example if part of a major project or part of an annual contract or raised by the Call Centre. A sample of 20 job cards issued with no order value entered were selected for testing to ascertain reasons.</p> <p>It was noted that:</p> <ul style="list-style-type: none"> <li>• 5/20 were for major projects - a responsive repairs job is raised to generate a customer satisfaction questionnaire.</li> <li>• 11/20 were investigatory visits for which the price would not have been known at the time.</li> <li>• 1/20 jobs were correctly entered but the SOR code was not picked up.</li> <li>• 2/20 were inputter error where call out fees and specialist day rates should have been entered onto the system.</li> </ul>	Inaccurate information held.	3	<p>a) Staff should be reminded that prices should be entered against jobs when call out fees and day rates apply.</p> <p>b) The potential system error where a job was correctly entered but the SOR code was not picked up should be investigated.</p>	<p>All staff have received a briefing update on procedures. This is also being checked by the Tenant Liaison &amp; Help Desk Team Leader on a periodic basis.</p> <p>The system error has been raised with the System Admin to address.</p>	Julie Kenny	February 2014
<b><u>2. Targets</u></b>	<p>Targets are set for different types of repairs:</p> <p>Priority 1 = 24 hours  Priority 2 = 7 days  Priority 3 = 25 days  Priority 4 = 75 days  Kitchen/Voids = 21 days</p> <p>From the sample of paid invoices it was noted 6/10 had not been completed within the target times and of these 3 did not have any explanatory notes on the system giving</p>	Lack of audit trail.	3	<p>a) Explanatory notes should be entered onto the Orchard system giving reasons for overruns to enable performance monitoring. Targets should be altered for events occurring outside of the Team's control, for example tenant</p>	<p>All staff have received a briefing update on procedures. This is also being checked by the Tenant Liaison &amp; Help Desk Team Leader on a periodic basis and is reported to the fortnightly service management meeting.</p>	Julie Kenny	Feb 2014



Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
	<p>reasons for overruns.</p> <p>From the void monitoring spreadsheet it was noted that of the 145 voids turned around during 2013/14, 15 of these were within the target of 28 days.</p> <p>We are advised that processes have recently been put in place to ensure that targets are met.</p>			<p>availability.</p> <p>b) Management should review targets for voids to ensure these remain realistic.</p>	<p>This is being addressed during the Service Planning Process and will be formally agreed by April 2014.</p>	<p>Julie Kenny</p>	<p>Apr 2014</p>

### **Budgetary Control and Medium Term Financial Strategy**

The overall objective of the audit was to provide assurance on the effectiveness of the controls operated to ensure robust budgetary control and MTFS setting. We sought to provide assurance around the following control objectives:

- The Authority prepares a Medium Term Financial Strategy (MTFS) which is designed to deliver strategic priorities and contains robust key assumptions.
- Budgets are set in a structured, comprehensive and robust manner in accordance with the organisation's plans and objectives and the MTFS.
- Any changes to the startpoint budget are appropriately authorised, recorded and reported (including virement).
- Responsibility for controlling budgets is delegated to trained and clearly defined budget holders who receive appropriate support from the finance department.
- Accurate and complete financial information is produced in a timely manner to budget holders and committees for inspection, analysis and control of budget performance.
- Budget variations are analysed, investigated, explained and acted upon.
- Regular and robust forecasts are undertaken to project outturn against budget.
- Any savings plans established to ensure a balanced budget are robust, and are reported upon and monitored at relevant committee and council level.

We issued a management letter in relation to this review. We were able to provide **full assurance** that suitable controls are in operation to ensure robust budget setting, control and reporting. However, we are mindful that the Council will need to periodically reassess the suitability of its financial management arrangements going forward, given continuing financial pressures on Council budgets. We also expect that internal audit plans for 2014-15 and future years, will provide for review on various matters impacting on the robust management of finances, from both risk management/control and value for money viewpoints.

## 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 28/2/14, which were carried forward into 2013/14 audit year as still outstanding at that time. The first table below represents the status of such agreed actions due to be implemented by 28/2/14, 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, albeit where we have followed up our prior year recommendations we have dealt with these as closed or implemented where possible.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Due by 28/2/14	-	2	75	58	135
Implemented	-	1	43	46	90
Closed (effectively implemented or system changed)	-	1	12	6	19
Not completed yet	-	-	20	6	26

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	-	7	3	10
3 – 6 months	-	-	5	3	8
Greater than 6 months	-	-	8	-	8
Total	-	-	20	6	26

The 8 issues more than 6 months overdue are as follows:

Review	Recommendation	Risk Rating	Response	Current Status per update
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	Orchard upgrade taking place during September/October 2013. The upgraded module will be considered alongside the review of the existing module to ensure it is used to assist service delivery.  No further update received.
2012/13 Fuel Controls	<u>Fuel Consumption Monitoring</u>  A more robust system for regular monitoring of fuel consumption rates for individual vehicles needs to be introduced. This should	3	Agree Service area Managers/ Senior Accounts  31/1/13 - Caroline Roffey, Public Space Manager	Fuel monitoring through existing systems has proved inaccurate. New vehicle telematics system will be installed in March 2014. This will

Review	Recommendation	Risk Rating	Response	Current Status per update
	<p>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 / explanations by relevant managers where consumption rate results fall below expected levels.</li> </ul>			<p>enable fuel use to be monitored more accurately by vehicle, and by driver and enable a fuel reduction scheme to be introduced to improve fuel efficiency through driver training.</p> <p>Revised implementation date: 30/4/14</p>
2012/13 Fuel Controls	Service departments should make further use of the NAVMAN system.	3	<p>Investigate possible new system through the Procurement process</p> <p>31/5/13 – Ian Pinfold, Principal Public Space Officer</p>	<p>Navman system identified as inadequate to meet service needs. New system of vehicle telematics sourced and will be introduced across the fleet in April 2014. New system will enable driver behaviour to be studied to enable a reduction in fuel use.</p> <p>Revised implementation date: 30/4/14</p>
2012/13 Housing Repairs	<u>Tenant Recharge Policy</u>	3	A Recharge Policy will be introduced as part of the revised conditions of	Now being addressed as part of wider Housing

Review	Recommendation	Risk Rating	Response	Current Status per update
	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.		tenancy.  30/11/12 - Ian Parsons, Housing Repairs Manager	Repairs Action Plan. To be implemented by end December 13 subject to consultation.  A Tenant Recharge report was presented to FAP Cttee in Jan 14.
2012/13 Housing Repairs	<u>Repairs Administration</u>  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.	3	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.  30/4/13 -Ian Parsons, Housing Repairs Manager	The Direct Works module is now due to start implementation over Summer 2014 due to main Orchard upgrade taking precedence.  Revised date 29/8/14
2012/13 Housing Repairs	<u>Housing Repairs (Contractor)</u>  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.  b) Contractor performance should be monitored and reported upon  c) Every effort should be made to ensure post inspections are completed in a timely manner.	3	A review of Contractors used, and the associated spend, will take place to ensure value for money. 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.  31/1/13 - Ian Parsons, Housing Repairs Manager	A Procurement Plan is now in place for all relevant contracts over the next five years. (See separate update also on Direct Works Module).  Revised date 29/8/14

Review	Recommendation	Risk Rating	Response	Current Status per update
2012/13 Anti-Fraud	<p><u>Risk Assessment - NFA Fraud Loss Tool</u></p> <p>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.</p>	3	<p>Agreed. The Fraud loss tool will be assessed and we will adopt relevant elements.</p> <p>30/4/13 – Julie Kenny</p>	<p>A fraud risk assessment was conducted through a workshop with External Audit and the revised anti fraud policy will be presented to Ethical Governance Committee in March 2014</p>
2012/13 Anti-Fraud	<p><u>Resilience Check</u></p> <p>"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."</p>	3	<p>Agreed</p> <p>30/4/13 – Julie Kenny</p>	<p>We have substituted this with the fraud awareness session that was performed by PwC and the fraud risk assessment that will be produced as a result (by March 2014).</p>

## 2013/14 Internal audit plan

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Budgetary Control				✓	Final report issued	Significant
Main Accounting			✓		Final report issued	Significant
Council Tax (LRBP)			✓		Final report issued	Significant
Business Rates (LRBP)			✓		Final report issued	Significant
Benefits (LRBP)			✓		Final report issued	Significant
Financial Systems – key controls			✓		Final report issued	Significant
IT audit – Payment Card Industry Data Security Standards compliance		✓	✓		Draft report issued	
IT audit – risk assessment (advisory)				✓	Due to commence imminently	
Corporate Governance – members allowances		✓			Final report issued	Moderate
Risk Management		✓			Final report issued	Significant
Customer Services (reception)-second stage review following move to the Hub*				✓	Draft report issued	
Payroll & expenses				✓	Final report issued	Significant

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Mobile Communications - advisory		✓	✓		Work complete; report imminent	
Anti-Social Behaviour Management System				✓	Draft report issued	
Housing Rents				✓	In progress	
Tenant Scrutiny					Dropped from plan	N/A
Sheltered Housing					Dropped from plan	N/A
Community Safety				✓	Potential scope discussed; delayed until late March at management request	
Town Centre Regeneration *				✓	Advisory/assurance input re the Town Centre regen project in progress.	
Carbon Management Plan					Dropped from plan	N/A
Section 106 agreements/contributions			✓		Final report issued	Significant
Hinckley Club for Young People			✓		Report issued	N/A
Leisure Centre					Dropped from plan	N/A
Markets		✓			Final report issued	Significant
Housing Repairs			✓	✓	Final report issued	Significant



Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Car Parks			✓			Final report issued	<b>Moderate</b>
Street Cleansing			✓			Final report issued	<b>Significant</b>
Additional review: DECC grant claim sign-off				✓	✓	Completed	<b>N/A</b>
Additional review/support: MIRA project					✓	In progress	
Additional review/support: HRA Investment Strategy					✓	In progress	

- Denotes agreed carry-forward from 2012/13