cw audit services

Hinckley & Bosworth Borough Council

Internal Audit
Progress Report 2014/15

June 2014

1. Introduction

This report summarises the work of Internal Audit to early June 2014. The purpose of the report is to update the Committee on progress made in delivering the 2014/15 audit plan, completing remaining 2013/14 work, and on the level of implementation of actions agreed by management in relation to audit recommendations.

2. Progress summary

The internal audit plan for the 2014/15 year totals 300 days (including work in relation to Leicestershire Revenues & Benefits Partnership (LRBP) systems and some days carried forward from 2013/14). Section 5 provides details of all the audit assignments included in the 2014/15 year, together with details of the quarter in which the assignments are planned for delivery at this stage, and an update on progress where assignments have commenced.

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			
Housing Rents (2013/14 review)	This audit examined the key controls in relation to rent collection, arrears and system management. A Significant Assurance Opinion was provided, with 2 high, 2 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. Rent is charged correctly on all properties in accordance with policy, and with documented calculations of gross and net rent for each property.	√				
2. Robust arrangements are in place for timely and complete collection of rent payments and crediting these to the correct accounts.		√			
3. Arrangements to deal with arrears comply with policy and ensure efficient recovery of outstanding sums.			√		
4. Access to system functions is restricted to authorised personnel and the security and integrity of the system is maintained.		√			

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

System Control Objective 3: Arrangements to deal with arrears comply with policy and ensure efficient recovery of outstanding sums.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.1 Recovery Action	The Orchard system provides a weekly list of approximately 400 recommendations on recovery actions that need to be taken. Officers can use discretion, based on knowledge of tenants' specific circumstances, to reject system recommendations, but these will then automatically roll forward to the following week's recommendation list. It is also possible for officers to regress action to an earlier stage in the recovery process. It was however noted that decisions to reject recommendations or regress to an earlier stage in the recovery process are not subject to any further independent review by the Housing Rents and Options Manager.

Sample testing of 10 overdue accounts with arrears values of more than £300 highlighted that in two instances formal debt recovery action in the form of warning letters or court action could have been taken earlier on during the period when the account was in arrears. Both accounts have been highlighted to the Rents and Arrears Officer. | Recovery action may not be sufficiently regular, leading to rising debt levels and increased risk of unrecoverable debts. | 2 | It is probably impractical to suggest that all rejected recommendations are subject to review by the Housing Rents and Options Manager, but a system report should be developed for review by the Housing Rents and Options Manager for recommendations that have been rejected for three consecutive weeks, or which relate to accounts that are overdue by more than a pre-determined amount (e.g. £750). The same report should also clearly identify occasions when recovery action has been regressed to an earlier stage in the arrears process. | Agreed | Jo Wykes – Housing Rents and Options Manager | August 2014 |
| **3.2 System Reporting** | One overdue account was noted where no formal action had been recorded on the Orchard system as having been taken since November 2010. Discussions with the Rents and Arrears Officer indicated that this account was not being flagged by the system as part of its automatic weekly arrears action recommendation routine, and had therefore been missed from any recovery action being taken. This account has been brought to the attention of the Rents and Arrears Officer, but it is possible that other accounts in arrears may also not be being identified by the system for recovery action. | Lack of recovery action on overdue accounts. | 2 | A reconciliation needs to be undertaken as a matter of urgency for all accounts that are in arrears to identify any that are not being flagged for automatic recovery recommendations by the Orchard system. The reason why some accounts are not being flagged for review and action needs to be investigated and resolved. | Agreed | Jo Wykes – Housing Rents and Options Manager | July 2014 |

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.4 Reporting and Monitoring	Monitoring information recorded on the Council's Performance Management system and reported to the Strategic Leadership Board focuses on the number of tenants evicted and rent collection rates against target. Arrears brought forward from previous years are added to the amount of rent to be collected in the current year and are therefore included in the overall rent collection rate, but specific data on the value of arrears and the Council's performance in collecting arrears is not reported on. Former tenant arrears are excluded from the collection rates performance data and are not therefore subject to any form of monitoring information.	Performance in collecting arrears not readily identifiable.	3	Specific data should be reported on regularly with regard to the value and age profile of rent arrears for both current and former tenants.	A corporate decision was taken to reduce the number of performance indicators reported on. Housemark is being introduced into the service and relevant data will be captured through this.	Jo Wykes – Housing Rents and Options Manager	September 2014
3.5 Court Costs	Discussions with the Chief Officer and the Housing Options and Rents Manager highlighted that the recommendation made in the 12/13 Internal Audit Report to add court costs to rent arrears was still under consideration.	Non-recovery of court costs.	3	Court costs should be added to accounts in arrears.	Agreed. Will be included in the new rent arrears policy.	Jo Wykes – Housing Rents and Options Manager	September 2014

Review	Summary	Level of assurance				
Payment Card Industry Data Security Standards compliance (2013/14 review)	This audit examined the Council's compliance with the requirements of the Standards. A Full Assurance Opinion was provided, with 2 low level recommendations made. The individual level of assurance for each system control objective reviewed is provided below.	**Full**				
System control objective		**Level of Assurance**				
		Full	**Significant**	**Moderate**	**Limited**	**No**
1. The Council adheres to the PCI DSS requirements for security management, policies, procedures, network architecture, software design and other critical protective measures.		√				

Customer Services Reception (2013/14 review)

We carried out an advisory review to assess the extent to which the reception area at Hinckley Hub meets the needs of the Customer Services function, as well as to confirm that the quality of the service delivered has not been adversely affected by the move from Argents Mead and the impact of sharing the reception with Job Centre Plus (JCP) and Social Services. This review followed on from a similar audit undertaken at the end of the 2012/13 year that considered the Customer Service team's preparations for moving to the Hub and the quality of the service being delivered prior to the move. We made no formal recommendations, but highlighted some matters for management consideration.

Review	Summary	Level of assurance			
Anti-social behaviour management system	This audit examined the adequacy of the control environment in relation to the operation of this shared system, within this Council. A Significant Assurance Opinion was provided, with 5 medium and 2 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 input to the Sentinel system is properly controlled and verified and processing is complete, accurate and timely.		✔			
2. All output is appropriate and enables the production of accurate management information.		✔			
3. Access to Sentinel system functions is restricted to authorised personnel and the security and integrity of the system is maintained.		✔			
4. Shared policies governing the use of the Sentinel system are complied with by the Council.		✔			

The 5 medium level recommendations made and management's responses, are set out below:

System Control Objective 1: All input to the Sentinel system is properly controlled and verified and processing is complete, accurate and timely.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.1 Staff training on the system	Staff were concerned that both the basic and advanced training provided centrally has been poor and often "made no sense". Supplementary training is cascaded by one member of staff to other users, which may not be an effective method of training for a specialist / complex subject. Cascade training can be effective following specific "train the trainer" courses, backed up with comprehensive guides and documentation however this is not the case here.	Staff may not be aware of or able to use all the functionality of the system.	3	An evaluation of the current training should be undertaken. All Council staff using the system should be sent on regular update training.	Update training would be useful, however, currently this is not available through the system owners. Bi-yearly internal sessions facilitated by experienced users to implemented. This will provide sentinel users with an opportunity to questions/concerns and develop skills.	Maddy Shellard	September 2014
1.2 Manuals and guides	We note that training manuals and guides have not been disseminated; very little system documentation is in place.	The system may not be used to maximum effectiveness	3	Training manuals and system guides should be produced so staff can refer to central guidance and materials.	Guidance and procedure information to be made available to all staff.	Maddy Shellard	August 2014

System Control Objective 2: All output is appropriate and enables the production of accurate management information.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.1 Access to report writing module	The access to the report writing tool and reports file directory is restricted to specific access levels, however all reports are kept in a shared directory and not kept separate and private. All users who have access to reports could amend any report within the directory.	Reports can be altered or deleted without permission of the author, this includes police reports.	3	The system should restrict access to reports to those relating to a user's own organisation and to those properly needing access.	Progress this through the joint sentinel administrator group if felt necessary by other partners	Maddy Shellard	September 2014

System Control Objective 3: Access to Sentinel system functions is restricted to authorised personnel and the security and integrity of the system is maintained/ System Control Objective 4: Shared policies governing the use of the Sentinel system are complied with by the Council.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.1 System accessed in a secure environment	The Sentinel system is accessed from the Hinckley Hub, there are no specific desks allocated for the ASB staff and they use hot desks. The Hub is open plan and the desks used by the staff are on main walkways where displays could be overlooked. This contravenes the system operating procedures which state: "Careful consideration should be given to the positioning of Sentinel Users' desks. Access to rooms should be restricted to authorised personnel at all times. Door entry controls must be treated as bearing the same protective marking – RESTRICTED – as the material they protect. Keys to rooms containing protectively marked material must be secured when not in use. Where access cannot be controlled in this way, consideration should be given to accommodating officers, who use Sentinel, away for main walkways where their screen display cannot be overlooked by anyone who does not have a need to know. Use of Sentinel should not take place in rooms/areas to which the public or other non professionals have access and PCs and laptops should be adequately screened."	Restricted information could be viewed by Council staff.	3	The Council should consider assigning the ASB team and police officer a set of desks that are away from the main footfall, where screens can not be overlooked.	Whilst we do appreciate that this suggestion would be ideal, it is not feasible given the number of officers with access to Sentinel across the whole of the Housing department and wider council. As 21 officers currently have access to the system, not just from the Community Safety Team, it remains impractical to situate all of these officers in one place. Officers from Community Safety, Street Scene and Environmental Health have access to the system. These officers work in different locations. As such, this suggestion would be detrimental to effective working practices. I think the responsibility lies with the officer accessing Sentinel to ensure that they do not leave their machine unattended. In doing so, this would prevent others from having sight of the system.	,	

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.2 The Sentinel system is secured in emergencies	The fire alarm was sounded (false alarm and cancelled prior to full evacuation). We observed, despite there being several minutes of where people were deciding whether it was a real alarm or test (there was no threat to life), one ASB user's terminal was left logged into the Sentinel system. The system operating procedures state: "In an emergency situation, the primary aim is the safety and protection of personnel. In the event of an emergency (e.g. fire, flood, external threat attack), the first consideration **MUST** be the protection of life. Only if it is safe to do so, then the following ordered actions should be taken with regard to the Sentinel system: · Save any unsaved data · Log out of Sentinel · Shut down the work station · Switch off the power to the PC and monitor"	Sensitive data left potentially open to view.	3	Emphasise to staff the requirement that where it is safe to do so and there is no threat to life, they should ensure that they: · Save any unsaved data · Log out of Sentinel · Shut down the work station · Switch off the power to the PC and monitor	All staff to be given instruction on this	Maddy Shellard	Immediate

Fees and charges (2014/15 review)

We carried out an advisory review on the above; the overall objective of the review was to consider the current fees and charges regime, given existing policy, and to benchmark this against nearby Councils to identify any areas for further consideration. We made three recommendations – two medium and one low priority. The two medium priority matters are referred to below, together with management's response:

	Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
1.	**Corporate Charging Policy**	There is no Corporate Charging Policy. The basis for setting fees and charges varies between service areas and within service areas.	Lack of clarity to the process of setting charges.	3	A Corporate Charging Policy should be developed to provide a framework for how HBBC approaches the setting of fees and charges for existing services and for any new services introduced.	Consideration will be given to including elements of the Corporate Charging Policy within the annual Budget Strategy.	Katherine Plummer	September 2014
2.	**Income Review 2014**	Since the 2011 review, a number of the free services identified at that time have been implemented by HBBC and by other authorities, but there still appear to be a number of service areas not fully explored. The same is true for services not currently provided. Further detail on these areas is provided in Appendices 2 and 3.	Missed income generating opportunities	3	Consideration should be given to looking into the potential for charging for services currently provided free of charge or not currently provided.	The results of this report will be used as part of the Medium Term Financial Strategy training and also budget workshops with members as part of the 2015/2016 budget setting process to prompt questions around these areas of charging. It should be noted that decisions on charging are subject to member decision. Areas such as Green Waste have been noted for potential income but have been rejected by members. This is not a control weakness as such.	Katherine Plummer	September 2014

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 31/5/14, which were made in 2013/14 or 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 31/5/14, 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 31/5/14	-	2	81	66	149
Implemented	-	1	60	52	113
Closed (effectively implemented or system changed)	-	1	12	6	19
Not completed yet	-	-	9	8	17

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	-	1	5	6
3 – 6 months	-	-	2	-	2
Greater than 6 months	-	-	6	3	9
Total	-	-	9	8	17

The 9 issues more than 6 months overdue are as follows:

Review	Recommendation	Risk Rating	Response	Current Status per update
2011/12 Homelessness	Orchard System 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	The Housing Options Service are using the Orchard System to record all cases. However, an upgrade is needed to use this fully and to meet the needs of the P1E statistical return. This will be incorporated in the system upgrade being implemented on 28th April 2014.
2013/14 Members Allowances	Publication – Other Consideration should be given to increasing the detail given in relation to Members' Allowance.	4	The Remuneration Panel's report includes details of the roles Members have. Reference to Member Role descriptions will be made in the press release publicising the Scheme of Allowances 31/10/13 – Louisa Horton	The Remuneration Panel is not due to meet until Summer 2014

Review	Recommendation	Risk Rating	Response	Current Status per update
2012/13 Fuel Controls	Navman Service departments should make further use of the NAVMAN system.	3	Investigate possible new system through the Procurement process 31/5/13 – Ian Pinfold, Principal Public Space Officer	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. Revised implementation date: 30/4/14
2012/13 Housing Repairs	Tenant Recharge Policy 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.	3	A Recharge Policy will be introduced as part of the revised conditions of tenancy. 30/11/12 - Ian Parsons, Housing Repairs Manager	Revised Tenancy Conditions (including a Recharge Policy) were agreed by Executive on 26th March 2014. They will now be subject to tenant consultation.
2012/13 Housing Repairs	Repairs Administration 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

Review	Recommendation	Risk Rating	Response	Current Status per update
2012/13 Anti-Fraud	Risk Assessment - NFA Fraud Loss Tool 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.	3	Agreed. The Fraud loss tool will be assessed and we will adopt relevant elements. 30/4/13 – Julie Kenny	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
2012/13 Anti-Fraud	Resilience Check 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.	3	Agreed 30/4/13 – Julie Kenny	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).
2012/13 Case Management System	Reports Management should monitor how the reporting tool is utilised on the IKEN system and ensure that reports that are required are fully utilised.	4	The use of the reporting tool will be included in the Post implementation review and a check made that sufficient use of the reporting function is being made. 30/11/13 – (now) Emma Horton, Legal Services Manager	The Legal Services Manager is tasked to undertake a review of the reporting within Iken. To be completed by end of September 2014.
2012/13 Case Management System	Performance Management should ensure that a Post Implementation Review of the IKEN system is undertaken.	4	The system is subject to informal ongoing review through team feedback and a full 12 month post implementation review will be set up. 30/11/13 – (now) Emma Horton, Legal Services Manager	Iken has been in place for 1 year by November 2013. Since then we have appointed a new Legal Services manager who has been tasked to complete this review by end of September 2014.

5. 2014/15 Internal Audit plan

Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Key Corporate Project assurance		✓	✓	✓	✓	Ongoing	
Efficiency/VFM reviews (Waste collection/recycling in 2014/15)				✓			
Fees and charges review		✓				Final report issued	**Narrative/advisory**
Budgetary Control				✓	✓		
Main Accounting				✓			
Council Tax – Leicestershire Revenues & Benefits Partnership				✓			
Business Rates – Leicestershire Revenues & Benefits Partnership				✓			
Benefits – Leicestershire Revenues & Benefits Partnership				✓	✓		
Financial Systems key controls				✓			
IT audit						Timing and scope to be agreed following current IT risk assessment	

Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Corporate Governance				✓			
Payroll & Expenses			✓			Scope agreed, starting July	
Electoral Register			✓				
Human Resources (Workforce planning advisory review in 2014/15)						Timing and scope to be agreed	
Housing Rents					✓		
Homelessness/Allocations						Timing and scope to be agreed	
Development Control (Process Review)			✓	✓			
Section 106 agreements/contributions			✓			Scope agreed, in progress	
Planning Policy/delivery			✓	✓			
Town Centre Management			✓				
Housing Repairs				✓			
Car Parks			✓				
Parking Enforcement			✓				

Description of audit		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Asset Control				✓			