

cw audit services

Hinckley & Bosworth Borough Council

Internal Audit
Progress Report 2014/15

January 2015



1. Introduction

This report summarises the work of Internal Audit to mid December 2014. The purpose of the report is to update the Committee on progress made in delivering the 2014/15 audit plan.

2. Progress summary

The internal audit plan for the 2014/15 year totals 323.5 days (including work in relation to Leicestershire Revenues & Benefits Partnership (LRBP) systems and total days carried forward from 2013/14). Section 5 provides details of all the audit assignments now 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 review has been completed and final report agreed with management since the last meeting of this Committee. We set out below a summary of the outcome and any high or medium risk issues raised, and agreed actions to address them.

Car Parking (follow up of 2013/14 review)

We have completed a review to follow up the level of implementation of actions agreed by management in relation to our 2013/14 review on Car Parking, on which we originally provided 'moderate assurance'. We were able to evidence good progress in terms of the implementation of agreed actions (5 of the 8 were implemented and 3 in progress) and accordingly were able to update our assurance opinion to 'significant assurance'.

The updated position in relation to the high and medium risk issues raised is as follows:

Expected Control	Original Audit Finding	Original Risk	Risk Ranking	Original Recommendation	Original Response	Original Who & When	Current Position
2.1 Contract Renewal Metric Group Ltd	The original contract for the maintenance of car parking machines with the Metric Group was entered into by the Council in January 2005. (Date of contract commencement 1 January 2005 to 30 June 2005 - 6 months). Audit has confirmed with the Public Space Officer (Car Parks) that through her requests to the Council's Legal Department and then to the Metric Group that no updates to the original contract exists. This indicates that there is no signed agreement covering current arrangements and that the service has not been subject to review and market testing for nearly a decade.	<p>The Council may not achieve value for money.</p> <p>The basis for current prices being charged cannot be verified/challenged.</p> <p>The absence of any signed agreement may hinder any disputes over the service provided.</p>	3	The contract for machines maintenance should be subject to market testing after which formal contractual documentation agreed and signed by both parties should be retained. In the short term to reduce its exposure to risk, the Council should formalise its current arrangements with the Metric Group Ltd.	<p>Accepted. The Public Space Officer (Car Parks) will seek to identify if other companies can maintain these machines or only the Metric Group. We have previously explored training a member of staff to maintain the machines but this was rejected as did not ensure full cover (holidays / sickness etc) or value for money.</p> <p>If an alternative supplier cannot be sourced then we will bench mark charges paid by other Local Authorities and ensure a revised agreement with the Metric Group is put in place.</p>	<p>Jackie Lee Public Space Officer (Car Parks)</p> <p>31 Dec 2013</p>	<u>Implemented</u>
2.2 Monitoring of Performance Indicators	Audit review of the March 2013 Engineers Service Report (listing the machines serviced and dates and times) highlighted that one of the Council's machines (Hinckley Church Walk SL2528) had not been serviced. However the related invoice included this machine as being serviced (cost excl. VAT £88.56). The Engineers Report is not routinely checked to the related invoice and therefore had not detected this omission by the contractor.	<p>All machines may not be maintained as per agreement.</p> <p>Potential loss of income.</p> <p>Council paying for services not received.</p>	3	All maintenance reports received from the Metric Group should be compared to Council records to confirm that the required services have been fully supplied and then to invoices to confirm that the Council is only invoiced and pays for services received. The Council should ascertain from the Metric Group why the machine had not been	<p>Accepted. Credit note to be sought.</p> <p>Invoices to be reconciled before payment by the Public Space Officer (Car Parks).</p>	<p>Jackie Lee Public Space Officer (Car Parks)</p> <p>31 Oct 2013</p>	<u>In progress</u> Attempts to obtain a credit note continue. The Council is not in receipt of the Engineer's Service Reports to enable checking to the quarterly invoices which continue to be issued in advance of the maintenance checks. Efforts continue to be made to address these issues. The Public Space Officer most recently again requested the Engineer's Service Reports in late August 2014, which resulted in the Metric Group

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				serviced and to seek a credit note for the amount paid for servicing a machine that had not been serviced. This recommendation links to 4.2.			promising that these reports will be made available. The Council is withholding the payment of such invoices pending receipt of the reports.
3.1 Contract – Kings Armoured Security Services Ltd	A copy of the original contract signed in June 2006 with the Kings Armoured Security Services Ltd retained by the Council has been provided to Audit. However this only relates to the car park run in agreement with Market Bosworth Parish Council. No contract for the Council's remaining 18 car parks could be located despite checks being made with the Legal Department. This indicates that there is no signed agreement covering current arrangements with Kings and that the service has not been subject to review and market testing in the last seven years.	Absence of signed agreement may hinder any disputes over service provided. The Council may not achieve value for money. The basis for current prices being charged cannot be verified.	2	The contract for cash collection and counting and banking should be subject to market testing after which formal contractual documentation agreed and signed by both parties should be retained. In the short term to reduce exposure to risk, the Council should formalise its current arrangements with Kings Armoured Security Services Ltd.	Already implemented. Quotes for cash collection obtained and the contract for cash collection established in line with the Audit recommendation.	Caroline Roffey Head of Street Scene Services Implemented	Implemented
3.4 Monthly Reconciliation	At present the Public Space Officer (Car Parks) assigns a sequential number to each Reconciliation Sheet she receives from Kings and then matches it to the Monthly Transactions Listing produced by the Finance Department, which details	Anomalies in income reconciliation not detected and actioned in a timely manner.	3	A formal monthly reconciliation procedure to confirm the amount of cash collected and banked by Kings agrees to the Council's Bank statements needs to be put in place. There	Accepted. Reconciliation procedure to be put in place. The Public Space Officer (Car Parks) to establish spreadsheet to monitor. The Head of Street Scene Services to sign this off each month.	Caroline Roffey Head of Street Scene Services Jackie Lee Public Space Officer (Car	Implemented

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	<p>the amount banked for each day of collection (and which should agree to the Reconciliation Sheet total). However since there is a time difference between cash banking and the amount appearing on the bank statement there will always be differences between the Monthly Transactions Listing and the spreadsheet ("Jan – June 2013 Cash Collection") amounts recorded by the Public Space Officer (Car Parks) as this is based on the Reconciliation Sheets provided by Kings . Adjustments are also required to these amounts due to discrepancies identified by the bank when they count the cash deposited by Kings. Because of these factors it cannot readily be confirmed that for each month the amount claimed to have been collected and banked by Kings. Further there are no supervisory checks to ensure confirmation that the Reconciliation Sheets and Bank Statements are in agreement.</p>			<p>should be a supervisory evidenced review of the reconciliation. The format of the reconciliation should be fairly straightforward, simply listing:</p> <ol style="list-style-type: none"> 1. Total amount collected and banked by Kings in the month. 2. Total amount per bank statements for the month: <p>Reconciling items:</p> <ol style="list-style-type: none"> 3. Difference in cash counted by Kings Ltd and the bank. 4. Cash banked not yet credited to the account (these should be cleared each month). 		<p>Parks) 31 Dec 2013</p>	
4.1 Checks on contractor invoices	<p>There is no checking of the Collection Rota to the Contractor's Reconciliation Sheet to confirm that the required collections have taken place. Further there is no checking of the monthly</p>	<p>Non compliance with the collection rota.</p> <p>Incorrect charges for cash collection and</p>	3	<p>It should be ensured that checking of the Collection Rota to the Contractor's Reconciliation Sheet to confirm that the required collection has</p>	<p>The Public Space Officer (Car Parks) will check all invoices against collection rota and reconciliation sheet. Notes of checks to be recorded within the creditors system to show this check has been made before invoice is passed to the manager for approval.</p>	<p>Jackie Lee Public Space Officer (Car Parks) 31 Oct 2013</p>	Implemented

Expected Control	Original Audit Finding	Original Risk	Risk Ranking	Original Recommendation	Original Response	Original Who & When	Current Position
	contractor invoice to the Reconciliation Sheets to confirm that the collections being charged for are correct and that the calculation of the % of the cash charged for agrees with the amount banked as per the bank details. Audit testing of the income collected and banked confirmed that the contractor was charging for collection and processing of cash based on the weekly collection rotas and the associated amounts collected and banked.	processing (overcharging).		taken place is undertaken. Further related checks should be undertaken on the monthly contractor invoice to the Council's monthly reconciliations to confirm that the collections being charged for are correct and that the calculation of the % of the cash processed agrees with the amount banked as per the bank details.			
4.2 Metric Group Invoices	Audit testing highlighted that the Metric Group invoice for the scheduled July 2013 maintenance of machines had been received in advance - in June 2013. This finding links to the finding at 2.2.	Council paying for services not received.	3	Invoices from the Metric Group should only be received and paid for after the agreed maintenance of machines has been completed and verified.	To be revised dependent on new machine maintenance arrangements.	Jackie Lee Public Space Officer (Car Parks) 31 Dec 2013	<u>In progress</u> <u>See 2.2 above.</u>

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 23/12/14, 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 23/12/14, 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 23/12/14	-	5	98	74	177
Implemented	-	2	80	57	139
Closed (effectively implemented or system changed)	-	1	13	7	21
Not completed yet	-	2	5	10	17

Time overdue for actions o/s or not complete	1 Critical	2 High	3 Medium	4 Low	Total
Less than 3 months	-	1	2	3	6
3 – 6 months	-	1	-	1	2
Greater than 6 months	-	-	3	6	9
Total	-	2	5	10	17

The high risk issues and the issues more than 6 months overdue are as follows:

Review	Recommendation	Risk Rating	Response	Current Status per update
2013/14 Housing Rents	<p><u>Recovery Action</u></p> <p>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.</p>	2	<p>Agreed</p> <p>31/8/14 – Jo Wykes, Housing Options & Rents Manager</p>	<p>This will be addressed by introducing further scrutiny by the ASB and tenancy Manager via regular one to ones with all staff. In addition generic housing officer posts become effective from 01/01/15 which has created more staff to ensure that earlier action is progressed.</p> <p>30/1/15 - Maddy Shellard, Neighbourhood and Anti-Social Behaviour Manager</p>

Review	Recommendation	Risk Rating	Response	Current Status per update
14/15 Section 106 Agreements	<p><u>On-site planning obligations – Monitoring</u></p> <p>Procedures should be drawn up to ensure that developers on site open space provisions are monitored, and to ensure that the associated maintenance charges are collected and applied.</p>	2	<p>A joint procedure between Policy and Development Management will be drawn up. A new Monitoring Officer post has been created in the Policy Team and a joint working arrangement will be agreed.</p> <p>Meetings with the Parish Councils are already taking place to understand and explain outstanding maintenance and use of this money.</p> <p>14/11/14 – Jenny Brader, Compliance & Monitoring Officer</p>	<p>No update yet received.</p> <p>Responsible officer now Andrew Thompson, Development Manager (Planning Control)</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>Review in progress in conjunction with orchard update. A further update is required to be able to complete the P1E statistical monitoring and this will not be released until June 2015. Amendments have been made as an interim measure.</p> <p>Revised implementation date - 30/6/15</p>
2013/14 Council Tax (LRBP)	<p><u>VOA and CT system reconciliation</u></p> <p>The discrepancies (identified by the audit) should be investigated and rectified.</p>	4	<p>We are working with the Valuation Office to reconcile the difference. We understand that our records are correct.</p> <p>31/3/14 – Claire Stone, CT Team</p>	<p>Overall the bands balance with the VOA a file has been received back from VOA with anomalies to reference numbers next step is to</p>

Review	Recommendation	Risk Rating	Response	Current Status per update
			Leader	work on those. Revised date 31/3/15
2013/14 PCI Compliance	<p><u>PCI Supplier Compliance Validation</u></p> <p>An annual review of the scope of CAPITA's PCI compliance should be undertaken to ensure that it continues to meet the Council's requirements.</p>	4	<p>Agreed. We will undertake an annual review.</p> <p>30/4/14 – Sheryl Wood, Exchequer Services Officer</p>	<p>Incorrect year for implementation</p> <p>Revised date 31/3/15</p>
2012/13 Housing Repairs	<p><u>Tenant Recharge Policy</u></p> <p>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.</p>	3	<p>A Recharge Policy will be introduced as part of the revised conditions of tenancy.</p> <p>30/11/12 - Ian Parsons, Housing Repairs Manager</p>	<p>This recharge policy is dependant and linked to the new Tenancy agreement that is presently at seeking ratification and consultation</p> <p>Revised date 2/7/14 (most recent date provided)</p>
2012/13 Housing Repairs	<p><u>Repairs Administration</u></p> <p>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.</p>	3	<p>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.</p> <p>30/4/13 -Ian Parsons, Housing Repairs Manager</p>	<p>Direct Works is being implemented starting Sep 2014. This has been delayed awaiting the main Browser Upgrade.</p> <p>Revised date 31/1/15</p>

Review	Recommendation	Risk Rating	Response	Current Status per update
2013/14 Members Allowances	<u>Publication – Other</u> 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	All relevant information will be published as soon as the new scheme is agreed by Council in December 2014 Revised date 31/1/15
2012/13 Fixed Assets	<u>Asset Acquisition Dates</u> The date of asset acquisition should be included as information recorded on the Fixed Asset Accounting module.	4	The information held by other departments on acquisition date will be transferred to the Fixed Asset Register to ensure that a complete set of information is retained. 31/3/14 – Ilyas Bham, Group Accountant	No update yet received
2012/13 Case Management System	<u>Reports</u> 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	Due to capacity issues within the team this will be deferred until Mar 15 Revised date 31/3/15
2012/13 Case Management System	<u>Performance</u> 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	Due to capacity issues within the legal team it was agreed to defer this review until 31.3.15 Revised date 31/3/15

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 – Bus Station, MIRA/RGF and HRA Investment Plan projects	✓	✓	✓	✓	Ongoing. Initial management briefing paper issued and agreed.	
Efficiency/VFM reviews (Waste collection/recycling in 2014/15)			✓	✓	Scope agreed; review to start in January 2015	
Fees and charges review	✓				Final report issued	Narrative/advisory
Budgetary Control				✓	Review scheduled for February 2015	
Main Accounting			✓		Draft report imminent	
Council Tax – Leicestershire Revenues & Benefits Partnership			✓		Draft report imminent	
Business Rates – Leicestershire Revenues & Benefits Partnership			✓		Draft report imminent	
Benefits – Leicestershire Revenues & Benefits Partnership			✓	✓	Draft report imminent	
Financial Systems key controls			✓		Draft report imminent	
Information Governance		✓			Draft report issued	
Orchard Housing System upgrade review		✓	✓		Draft report issued	

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
ICT Services Contract review				✓	Scope being discussed	
Corporate Governance - Equalities			✓		In progress	
Payroll & Expenses		✓			Final report issued	Significant
Electoral Register		✓	✓		Review in 2 phases, first phase complete and advisory letter issued. Second phase January 2015	Narrative
Human Resources – Sickness Absence Management			✓		Draft report issued	
Housing Rents				✓	Review to start in Feb 2015	
Homelessness/Allocations				✓	Allocations review to start in January 2015	
Development Control (Process Review)			✓	✓	Scope agreed; to start Jan 2015	
Section 106 agreements/contributions		✓			Final report issued	Significant
Planning Policy/delivery				✓		
Management of staff flexible/home-working (management request to replace planned Town Centre Management review)			✓	✓	In progress	
Housing Repairs				✓	Scope agreed; to start in January 2015	
Car Parks (follow up of 2013/14 review)		✓			Final report issued	Significant

Description of audit	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Current Status	Assurance level
Parking Enforcement		✓			In progress	
Asset Control				✓	Scope agreed; to start in January 2015	
Whistleblowing – additional review		✓			Completed	N/A
Site security – additional review			✓		Draft report issued	

In addition we have carried out at management request, a brief advisory/assurance review on staff mileage claims, similarly on CCTV and testing to support our certification in relation to Homes & Communities Agency funding compliance regarding empty homes schemes.