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Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive

Date: 31 January 2023

Hinckley & Bosworth
Borough Council

To: Members of the Audit Committee

Cllr DS Cope (Chairman)	Cllr MR Lay
Cllr A Pendlebury (Vice-Chairman)	Cllr RB Roberts
Cllr MA Cook	Cllr BR Walker
Cllr REH Flemming	Cllr HG Williams
Cllr L Hodgkins	Cllr P Williams
Cllr C Ladkin	

Copy to all other Members of the Council

(other recipients for information)

Dear member,

There will be a meeting of the **AUDIT COMMITTEE** in the De Montfort Suite, Hinckley Hub on **WEDNESDAY, 8 FEBRUARY 2023** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

Rebecca Owen
Democratic Services Manager

Fire Evacuation Procedures

- On hearing the fire alarm, leave the building **at once** quickly and calmly by the nearest escape route (indicated by green signs).

- *There are two escape routes from the Council Chamber – at the side and rear. Leave via the door closest to you.*

- Proceed to **Willowbank Road car park**, accessed from Rugby Road then Willowbank Road.

- **Do not** use the lifts.

- **Do not** stop to collect belongings.

Recording of meetings

At HBBC we are open and transparent about how we make decisions. We allow recording, filming and photography at all public meetings including Council, the Executive and Planning Committee as long as doing so does not disturb or disrupt the proceedings. There may occasionally be some reports that are discussed in private session where legislation requires this to happen, but this is infrequent.

We also allow the use of social media during meetings, which helps to bring the issues discussed to a wider audience.

Members of the public, members of the press and councillors are hereby informed that, in attending the meeting, you may be captured on film. If you have a particular problem with this, please contact us so we can discuss how we may accommodate you at the meeting.

Use of mobile phones

To minimise disturbance to others attending the meeting, please switch off your phone or other mobile device or turn it onto silent or vibrate mode.

Thank you

AUDIT COMMITTEE - 8 FEBRUARY 2023

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS

2. MINUTES OF PREVIOUS MEETING (Pages 1 - 2)

    To confirm the minutes of the meeting held on 30 November 2022.

3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES

    To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting (to be taken at the end of the agenda)

4. DECLARATIONS OF INTEREST

    To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**

5. QUESTIONS

    To hear any questions received in accordance with Council Procedure Rule 12.

6. CHAIRMAN'S UPDATE

    Verbal update to be provided by the Chairman.

7. INTERNAL AUDIT PROGRESS REPORT (Pages 3 - 8)

    To present the internal audit progress report.

8. INTERNAL AUDIT - ACCOUNTS PAYABLE 2021/22 - FINAL REPORT (Pages 9 - 24)

    To present the accounts payable 2021/22 internal audit final report.

9. INTERNAL AUDIT - HOUSING RENTS 2021/22 - FINAL REPORT (Pages 25 - 36)

    To present the Housing Rents 2021/22 internal audit final report.

10. INTERNAL AUDIT - PAYROLL AND PENSIONS 2021/22 - FINAL REPORT (Pages 37 - 58)

    To present the Payroll and Pensions 2021/22 internal audit final report.

11. INTERNAL AUDIT - RESPONSIVE REPAIRS 2021/22 - FINAL REPORT (Pages 59 - 70)

    To present the Responsive Repairs 2021/22 internal audit final report.

12. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

    As announced under item 3 above.

13. MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

To consider the passing of a resolution under Section 100A(4) of the Local Government Act 1972 excluding the public from the undermentioned item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the 1972 Act.

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

AUDIT COMMITTEE

30 NOVEMBER 2022 AT 6.30 PM

PRESENT: Cllr DS Cope - Chairman
                       Cllr A Pendlebury – Vice-Chairman
Cllr MA Cook,   Cllr REH Flemming,   Cllr L Hodgkins,   Cllr C Ladkin,   Cllr MR Lay, Cllr BR Walker, Cllr HG Williams, Cllr P Williams and Cllr K Morrell

Members in attendance: Councillors

Officers in attendance: Rebecca Valentine-Wilkinson, Ashley Wilson and Sarah Knowles (Mazars)

218   APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Roberts with the substitution of Councillor Morrell authorised in accordance with council procedure rule 10.

219   MINUTES OF PREVIOUS MEETING

It was moved by Councillor Pendlebury, seconded by Councillor Flemming and

                       RESOLVED – the minutes of the meeting held on 27 July 2022 be

                       approved and signed by the Chairman.

220   DECLARATIONS OF INTEREST

There were no interests declared.

221   INTERNAL AUDIT PROGRESS REPORT

Members were provided with an update on the 2021/22 internal audit plan.

As part of this the auditors reported that they had signed off Local Authority delivery on a grant received to ensure money had been spent in accordance with grant conditions.

After a question from members around risk management it was confirmed that the internal auditors had looked at risk registers and policies and would be doing some refresh work on the importance of risk.

It was moved by Councillor Flemming, seconded by Councillor Hodgkins and

                       RESOLVED – the report be noted.

222   FINANCIAL REPORTING COUNCIL'S REVIEW OF EXTERNAL AUDIT QUALITY 2021/22

Members were updated on a summary of quality reviews done by the Financial Reporting Council in relation to external Audit suppliers, including the Council's own external Audit supplier Ernst and Young.

Discussion took place on the staffing and recruitment pressures faced by external audit firms.

Members noted the report.

223   NEW EXTERNAL AUDIT APPOINTMENT FROM 2023/24 TO 2027/28

Members were updated on the outcome of the external audit appointment arrangements completed by Public Sector Audit Appointments (PSAA) on our behalf for the period spanning 2023/24 to 2027/28.

After a question from members around their concern of significant rises in audit fees, it was confirmed that the council should anticipate a major re-set of fees involving an increase of approximately 150%, noting that the actual fees would depend on the amount of work required.

It was moved by Councillor Hodgkins, seconded by Councillor Pendlebury and

                RESOLVED – the report be noted.

                (The Meeting closed at 7.00 pm)

_____
                                                        CHAIRMAN

Hinckley & Bosworth BC

Audit Committee
Internal Audit Progress Report

Prepared by: Mazars LLP
Date: February 2023

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley & Bosworth BC and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of the Hinckley & Bosworth BC and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.

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Snapshot of Internal Audit Activity

Below is a snapshot of the current position of the delivery of the 2021/22 Internal Audit Plan.

Final Reports Issued

We have issued the following final reports since the last meeting of the Audit Committee:

- Responsive Repairs
- Accounts Payable
- Housing Rents

Final Reports Issued cont.

- Payroll and Pensions Administration
- Council Tax and NNDR (Leicestershire Revenues & Benefits Partnership)

Other matters

Planning is underway for the 22/23 audit plan.

Follow Up

We will follow up the recommendations raised in the 2021/22 internal audit reports when they fall due.

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Summary of the 2021/22 Internal Audit Plan

The table below lists the 2021/22 Internal Audit Plan and a status summary for all of the reviews.

Fieldwork commencing	Review	Days	Status	Assurance Level	Total	Findings		
						High	**Medium**	**Low**
August 2022	Accounts Payable	8	Final Report Issued (Jan 2023)	**Moderate**	**6**	-	5	1
July 2022	Payroll & Pensions Administration	8	Final Report Issued (Jan 2023)	**Limited**	**12**	2	6	4
March 2023	IT Audit	10	Deferred into 2022/23 plan	**N/A**				
January 2023	Risk Management	10	Deferred into 2022/23 plan	**N/A**				
July 2022	Responsive Repairs	10	Final Report Issued (Dec 2022)	**Moderate**	**4**	-	2	2
August 2022	Housing Rents	8	Draft Report Issued (Oct 2022)	**Moderate**	**3**	1	1	1
August 2022	Carbon Neutral Action Plan	6	Draft Report Issued (Nov 2022)	Awaiting management response to draft report – meeting with Director planned for 21st February 2023				
July 2022	Council Tax & NNDR (Revenue and Benefits)	10	Final Report Issued (Jan 2023)	**Moderate**	**4**	-	2	2
June 2022	Test and Trace Support Payment Scheme	4	Completed sign off in June 2022	**N/A**				
October 2022	Local Authority Delivery Scheme Phase 2 (LAD2)	4	Completed sign off in November 2022	**N/A**				
	Totals				**29**	**3**	**16**	**10**

Definition of Assurance and Priorities

Audit Assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Definitions of Assurance Levels	
Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Definitions of Recommendations	
Priority	Description
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

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Contacts

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We take responsibility to Hinckley & Bosworth BC for this report which is prepared on the basis of the limitations set out below.

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Hinckley & Bosworth Borough Council – Internal Audit Report

Accounts Payable 2021/22

January 2023

Final Report

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley & Bosworth Council and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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01 Introduction

As part of the Internal Audit Plan for 2021/22, we have undertaken a review of Accounts Payable. The objectives of the audit were to evaluate the adequacy of the system of internal controls and its application in practice with the area under review.

We are grateful to all staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

The Accounts Payable team processes the majority of invoices for the council asides from payroll and council tax refunds, and currently consists of the AP Manager, a Finance Officer and two temporary staff members assisting with processing invoices.

The council uses the Civica financial management information system for the management of its creditors, debtors and general ledger functions. Civica places workflows on key processes such as the processing of requisitions, purchase orders and the payment of creditors, and throughout the system approval limits have been set which define which staff members can approve payments.

The council does not use Government Procurement Cards, instead providing credit cards to certain employees, such as Directors and those in the Homeless & Vulnerable teams. Proof of expenditure such as invoices should be sent to the Senior PA at the council who reviews and reconciles payments on a monthly basis.

The council also produces some performance information relating to AP team performance, and on a monthly basis an Officer produces two reports from Civica detailing payment performance (invoices paid under/over 30 days) per supplier and per section. The Consultation & Improvement Officer enters the figures into the INPhase performance system and produces a quarterly report for the Senior Leadership Team (SLT) meeting detailing any exceptions.

03 Key findings

Assurance Rating
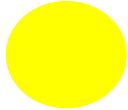
Moderate Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Moderate** assurance over the system of internal control evaluated.

We have identified several areas of significant control deficiency, and areas with room for improvement. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	-
Medium	5
Low	1
TOTAL	**6**

3.1 Examples of areas where controls are operating reliably

Supplier Data

- When there is a requirement to set up a new creditor, a creditor maintenance form is sent to the AP team by service areas, or an internal invoice is raised if it relates to a refund. We reviewed a sample of five creditor set ups and found that in all cases an appropriate request was received.

- After receiving a request to set up a new creditor, checks are undertaken to verify the creditor details via a phone call which is then noted on the system. We reviewed a sample of five creditor set ups and found that in all cases these checks were documented within the system notes.

- Segregation of duties has been implemented in the creditor set up process. Service lines send in requests to set up to the AP team which then receives final approval from a Director.

Ordering and Receipting of Goods and Services

- Orders are placed by service areas after identifying the need for a goods or services through raising a requisition which is then work flowed through in the system to a manager with appropriate approval limits set. Upon review of a sample of 10 transactions raised we found that in all cases a requisition / purchase order was raised, and that the approving manager was included on an authorised approvers spreadsheet and were within their approval limits.

- During discussions with management it was stated that there are not any specific timelines in place defining the timeframe for when purchase orders should be approved within. However, we reviewed a sample of 10 transactions and found that in all cases the purchase order was approved within seven days.

- Segregation of duties is built into the system and the person who placed the order cannot approve the purchase order or invoice. Upon review of a sample of 10 transactions we found that in all cases the

person who placed the order was different to the approver.

Payment of Invoices (including credit cards)

- After the purchase order has been raised and approved by managers, the invoice is sent into a state of review and matched against the purchase order by the AP team. Upon review of a sample of 10 transactions we found that all invoices matched the purchase order.

- There is an authorised approvers spreadsheet in place defining the staff members who can approve orders and invoices and the exact financial limits that they can approve. Upon review of a sample of 10 transactions we found that in all cases the approver was able to be located within the authorised approvers spreadsheet and these were within the assigned financial limits.

- Directors may hold a credit card and the homeless and vulnerable teams also hold credit cards in order to assist with their duties. The Senior PA to Directors undertakes a monthly review and reconciliation of credit card payments and chases up missing receipts and invoices where required, and we confirmed that this took place in January, February and March 2022.

Management Information

- We requested evidence of management information being produced and found that on a monthly basis two separate payment performance reports are produced which monitor the timeliness of invoice payments (under and over 30 days) for each section / business area and for each supplier. We confirmed that management information reports were produced in January, February and March 2022.

3.2 Risk Management

The risks most relevant to Accounts Payable are:

- Officers in services do not adhere to the approved processes and corporate expectations.
- Inappropriate / inaccurate amendments to the creditors system are made.
- Purchase orders are not used in line with council approved policy.
- Payments for goods or services are not received, or duplicate payments are made.
- Payments are made without appropriate approval in line with the scheme of delegation.
- Monitoring and reporting of values and trends is not robust, so failing procedures or insufficient resources are not identified and rectified by management in a timely fashion.

3.3 Value for Money

Value for Money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

Audit discussed the procedures in place around credit card usage with management and the Senior PA to Directors, who is responsible for reconciling credit card payments. Although we found that credit card limits have been set, we noted that there is not any policy or guidance in place around the expectations on what staff are allowed to use credit cards for and on the requirement to retain and provide evidence such as receipts for payments made. We also noted that there are no credit card spend reports produced breaking down spend into categories for management to review.

3.4 Sector Comparison

From our experience across our client base, we are seeing pressure on resources, and higher service demands have resulted in challenges to the existing control environment. This often results in increased challenges to the decision-making process where conflicting priorities exist and need to be balanced with effective risk management.

During the course of the audit, we were provided with policies and procedures, however, it was unclear whether they have been reviewed on a regular basis. Based on our work with other local authorities, policies and procedures for the AP function usually consist of at least the following:

- AP payment user manual
- Purchase order user manual
- New supplier set up manual
- Supplier amendment manual (e.g., bank details)
- Purchase card/credit card user manual
- Purchase card policy

At peers, AP policies and procedures are usually assigned a responsible person for reviewing and updating the procedure on a defined basis, often annually or twice a year. Details of the review e.g., date and responsible person are then included within the policy in a document control section so that users are aware of when a policy is outdated and who to contact for help. Having clear and regularly updated policies and procedures in place acts to provide a guide to new members of staff and can help to ensure the transfer of information in the event of key staff members leaving, ensuring consistency in processing over time.

Purchasing and ordering procedures are usually relatively consistent across peers, however, different systems are in place such as the actual IT system used to process transactions. At Hinckley, we noted that the Civica financial system is used and although there is an expectation for goods received checks to be undertaken by service areas, the system does not allow for the noting of goods received within the system. Through our experience with other local authorities, we have found that at many councils this function is built in to the system, and that the system prevents the payment of invoices without confirmed goods receipting.

During the audit, we found that credit cards are used by certain members of staff, such as Directors and those in the Homeless & Vulnerable Teams, to make certain purchases e.g., accommodation for vulnerable people.

We found that other local authorities often utilised purchase cards (which are used similarly), and that there is also a requirement for card holders to complete e-learning on purchase card usage prior to being given access. We also found that at peers, a purchase card policy is in place for which the cardholder must sign a declaration stating what they can and can not use the purchase card for.

At Hinckley, we found that a generally manual system is used for reconciling credit card transactions. The Senior PA to directors gathers receipts/invoices and reconciles transactions on a monthly basis.

In some cases, peers have dedicated purchase card systems where transactions are posted after making a purchase card payment. Cardholders are then notified and can log onto the system to attach evidence to the transaction. This is then saved, and work flowed through to a manager for approval. Automated reminders can be sent after a certain number of days if a transaction has not had any evidence attached.

04   Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	**Policies and Procedures** *Observation:* During the audit, we requested policies and procedures in place at the council which cover the Accounts Payable processes reviewed as part of this audit. We were provided with a number of procedure documents covering areas such as creating purchase orders, invoicing, and payment runs, however, we noted that procedure documents do not contain a document control section indicating when they were last reviewed and who is responsible for reviewing them. During discussions with management, we were informed that policies and procedures have not been updated on a regular basis as there has been little change in processes. *Risk:* Officers in services do not adhere to the approved processes and corporate expectations.	A responsible person should be allocated towards updating and reviewing Accounts Payable policies and procedures. Policies and procedures should then be reviewed on an agreed schedule (e.g., annually) and updated when necessary.	Medium	The procedure notes have not been updated since just before the Covid pandemic, so agree this need to be updated. Although only minor changes expected.	31 July 2023 Accountancy Manager

	Officers in services undertake processes inconsistently leading to variations and errors.				
4.2	**Goods Receipting** *Observation:* During discussions with management, we were informed that the goods receipting of orders is undertaken by the service area and that there is an expectation that these checks should be undertaken prior to the payment of an invoice. However, we found that goods received checks are not noted within the system and also that there is nothing within the system that prevents the payment of an invoice prior to goods received checks being carried out. *Risk:* Payments are made for goods and / or services not fully received.	Spot checks should be undertaken on a representative sample of purchases in order to determine whether goods received checks have been undertaken e.g., 10% per month. Where there is non-compliance, service areas should be reminded of the requirement to undertake goods received checks, such as through additional training.	Medium	Like most councils we do not have a good receipting system or the finance resource to introduce such a system. The emphasis is on the Budget holder knowing if they have had a service or good provided. The risk of material services or good not being received without being noticed is low. Finance rely on the Budget holder ensuing the service or goods are received, and raising an issue if this is not the case. PO's per year vary between 5000-10,000. An average sample check of say 750 PO per year with multiple lines, as 10 minutes each check, would add about 17 days of workload to the current tasks completed. As we do not have spare capacity we will live with the current risk position and controls in place.	N/A
4.3	**Credit Card Expenditure** *Observation:* Directors at the council may have a credit card, and in this case, purchases go through the Senior PA. The Homeless and Vulnerable teams also may have credit cards and, in these circumstances, make their own payments	A credit card policy should be produced including information such as the categories of allowable credit card expenditure, the requirement to provide supporting documentation such as receipts, and the consequences of non-compliance. Staff with credit cards	Medium	Agreed need formal policy, as currently there are just notes to cover expected use. Resource capacity means the current reconciliation officer will continue to do this role but check	30 September 2023 Accountancy Manager

	and should later send invoices / receipts to the Senior PA as evidence of expenditure.

On a monthly basis the Senior PA undertakes a reconciliation of credit card payments and follows up on missing invoices / receipts if required, and we confirmed that this was undertaken in January, February and March 2022. However, during discussions it was noted the Homeless and Vulnerable teams do not always send in evidence of expenditure in a timely manner and that this is only picked up on during the monthly reconciliation. Staff were unaware of a credit card policy being in place.

We also noted that as the Senior PA is responsible for making certain credit card payments and also reconciling the credit card payments, segregation of duties has not been fully implemented.

Risk: Credit card payments are inappropriate or fraudulent leading to financial loss for the council. | should sign or confirm acknowledgement of this policy.

A separate officer should be responsible for making credit card payments and reconciling payments at the end of the month.

A cost / benefit analysis of implementing an automated purchase card system should be carried out. | | on any payments they make will be separately reviewed.

Alternative credit card platform is to be considered, with the control will be via a platform accessed by finance | |
| 4.4 | **Management Information / Timeliness of Invoice Payments**

Observation: We requested management information reports from the Accounts Payable team and received copies of reports produced in January, February and March 2022. Upon review we found that two reports are produced each month by a Finance Officer and include the | The council should produce a contingency plan to ensure that suppliers continue to be paid in a timely manner upon the exit of key or senior staff members within the Accounts Payable team.

Accounts Payable performance reports should continue to be monitored and | Medium | Agreed – but staffing changes are always going to cause pressure on performance. | 31 July 2023

Accountancy Manager |

timeliness of invoice payments (under 30 days) made per section and per supplier.

A target of 99% for performance by section and 91.5% for performance by supplier has been set. The Finance Officer enters the monthly performance into a spreadsheet and sends the result to the Consultation & Improvement Officer who produces a report of exceptions for the Senior Leadership Team (SLT).

We calculated the weighted average percentage of invoices paid within 30 days by section for January, February and March 2022:

- January 2022 - 97.4%
- February 2022 - 93.8%
- March 2022 - 91.8%

The information above shows a declining trend in performance from January to March 2022 with all months being below the 99% target. During discussions with management, we noted that this was mainly due to a senior member of the Accounts Payable team leaving the council in January 2022, leading to a backlog of invoices.

Risk: Invoices are not paid in a timely fashion leading to reputational loss for the council and debt recovery action being taken.

action taken where performance drops below set targets.

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| 4.5 | **Creditor Data Integrity**

Observation: After the Accounts Payable team has received a request to set up a new creditor, the creditor details are confirmed via telephone and these checks should be recorded in system notes.

However, we noted that there are not currently any quality assurance checks carried out by management on new creditor set ups, such as spot checks to confirm the accuracy of the creditor set up against the request received or that creditor details have been confirmed appropriately.

In addition to this, we undertook data analysis on a report of creditors, containing 19326 creditors overall, and found that:

• Upon filtering by duplicated name, 1856 records were identified as duplicates.

• We also found that upon filtering by duplicated bank account numbers, 4439 records were identified as duplicates.

• We identified that 6434 records were last updated from 2007-2012. Although these may be valid, consideration should be given towards reviewing older suppliers and removing them from the system if no longer required. | Spot checks should be undertaken on a representative sample of new creditor set ups on a regular basis e.g., monthly or quarterly. For example, 10% of overall new creditor set ups could be checked on a monthly basis.

A data quality review should be undertaken into the register of creditors in order to determine whether the issues identified e.g., duplicates are valid or can be removed from the system. | Medium | Agreed. Duplicate report exceptions for payments will be checked twice weekly.

The many grants made this year has meant to ensure speed of payment, that creditors have been set up on multiple occasions for the same business or individual, this is due to the unique circumstances faced. Grant speed led to duplicates, setting up accounts

Also, some business have different centres and have different creditors set. Therefore although they have different addresses they can be combined as one creditor with two accounts | 31 January 2023

Accounts Payable Officer |

	• We identified that 5200 creditor records within the report have a blank bank account and sort code. 3151/5200 of these creditors with blank bank account numbers and sort codes were created before 2012. *Risk:* Inaccurate / inappropriate amendments made to the creditor system. Duplicate creditor records lead to mistakes in processing and inefficiencies.				
4.6	**Duplicate Payment Report** *Observation:* A duplicate payment report is produced from the Civica system by a Finance Officer. The duplicate payment report is produced and reviewed on Wednesday and Friday each week, prior to the payment run commencing. However, there are currently some issues with the report, as it shows duplicate invoices which are not valid, or which have already been checked and resolved. The report picks up duplicate amounts, rather than duplicate invoices, and may flag invoices as duplicate despite there being different invoice numbers. Due to this, the majority of identified duplicates are most likely not actual duplicate invoices. During discussions with management, we were informed that the issue is currently being discussed with Civica.	The council should continue to discuss the issue with Civica and obtain a resolution to the issue with duplicate payment reports.	Low	The duplicate payment report is not a list of duplicates but a risk of items that might be a risk of being a duplicate, so will be checked. It will now be evidenced checks that have been completed.	31 March 2023 Accountancy Manager

Risk: The council is unable to keep track of duplicate invoices due to inaccurate reports.				

A1 Audit information

Audit Control Schedule	
Client contacts:	Ashley Wilson: Head of Finance Ilyas Bham: Accountancy Manager Michelle Lockett: Accounts Payable Manager
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles: Senior Audit Manager Connor Wood: Auditor
Finish on-site / Exit meeting:	28th September 2022
Draft report issued:	18th October 2022 / 17th November 2022
Management responses received:	6th December 2022
Final report issued:	17th January 2023

Report Distribution List		
Report	**Name**	**Job Title**
Draft & Final	Michelle Lockett	Accounts Payable Officer
Draft & Final	Ilyas Bham	Accountancy Manager
Draft & Final	Julie Kenny	Director (Corporate and Streetscene Services)
Draft & Final	Ashley Wilson	Head of Finance (Section 151 Officer)
Final	Bill Cullen	Chief Executive

Scope and Objectives

Audit objective: Our objective is to provide assurance that HBBC has effective controls in place over Accounts Payable processes.

Our audit considered the following risks relating to the area under review:

- Policies and Procedures - Officers in services do not adhere to the approved processes and corporate expectations

- Supplier Data – Inappropriate / inaccurate amendments to the Creditors System

- Ordering and Receipting of Goods and Services – Purchase orders are not used in line with Council approved policy

- Payment of Invoices (including credit cards) – Payment is made for goods or services not received, or duplicate payments are made. Payments are made without appropriate approval in line with the scheme of delegation.

- Management Information – Monitoring and reporting of values and trends is not robust, so failing procedures or insufficient resources are not rectified by management in a timely fashion.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	**Description**
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
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Priority	**Description**
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
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Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

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Hinckley & Bosworth Borough
Council - Internal Audit Report
Housing Rents
January 2023

Final Report

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Disclaimer

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01 Introduction

As part of the 2021/22 Internal Audit Plan, we have undertaken an internal audit of housing rents at Hinckley and Bosworth Borough Council. The objective of the audit was to evaluate the adequacy of the system of internal controls and its application in practice with the area under review.

We are grateful to the Senior Tenancy Management (Rents) Officer and Head of Housing for the assistance they provided to us during the course of the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

Covid-19 has led to an increase in rent arrears with more tenants now claiming Universal Credit (UC) due to reduced income. This, coupled with the ongoing cost of living crisis has continuously put rent collection mechanisms in the spotlight. The results of the most recent Regulator of Social Housing's (RSH) Quarterly Survey highlighted that in Quarter 1 of 2022/23, current tenant arrears had increased from 3.4% to 3.6%.[1]

The Council has 3,229 homes across the Borough. The collection of rent and arrears management is the responsibility of the Tenancy Management team at the Council. The Team consists of the Head of Housing, the Anti-Social Behaviour (ASB) & Tenancy Manager, the Senior Tenancy (Rents) Officer, and the Tenancy (Rents) Officer. The Council has a Rent Arrears and Recovery Policy which sets out the expectations or requirements regarding rental arrears. The Council aims to collect all debts owed from former tenants in order to maximise its income and achieve its objectives of delivering an efficient and cost-effective Housing Service.

Preventing tenants falling in to rent arrears is a key priority and measures implemented include:

- Signposting tenants to support services such as the Money Advice Service and StepChange Debt Charity;

- Publishing Advice and guidance on the Council website;

- Providing support for new tenants through the Introductory Tenancy Officer.

Rent arrears collection is monitored through the housing management system, Orchard, using the Arrears Management module. The Council takes an incremental approach to rent arrears recovery. The initial 'Out of Court' stage states that tenants will receive notification of arrears, followed by a reminder and a final demand. If payment is not received, the case will progress to the Legal Action Stage, in which the Council will issue a Notice of Seeking Possession (NOSP). If payment is not received in 28 days, court action will be initiated, and notification of a court hearing will be issued.

The level of rent arrears by area across the borough is monitored on a weekly basis. The Council reports the following Key Performance Indicators (KPIs) quarterly to Senior Leadership Team (SLT):

KPI	2021/22 Actual	2022/23 Target	March 2022	June 2022
Percentage of rent collection and arrears recovery (including Former Tenant Arrears)	97.83%	97%	97.83% ↑	75.47% ↓
Percentage reduction year on year outstanding debt owed to HBBC	-5.72%	6.05%	-6.05% ↓	-15.91% ↓

Following the termination of a tenancy, the Council will notify the tenant of any debt remaining on their account by means of a Former Tenant Arrears Letter (FTA). If any tenant (former or current) is unable to clear any monies owed in full, the Council should arrange a repayment plan. Where attempts to recover arrears by letter have failed, or the whereabouts of the tenant is

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[1] Quarterly_Survey_Q1_2022-23.pdf (publishing.service.gov.uk)

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not known, the Council may use all information and opportunities available to locate them, including tracing agents. If deceased, action will be limited to contacting the next of kin or executor to claim against the estate. Where a debt is uneconomical to pursue or there is no prospect of recovery, a write off should be considered, following review by the ASB and Tenancy Manager or the Head of Housing. The Council may also consider writing off debt where debt has been incurred as a consequence of financial hardship or there has been a delay in clearing the property in relation to the Covid-19 pandemic.

03 Key findings

Assurance Rating
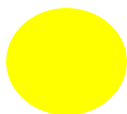
Moderate Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Moderate** assurance over the system of internal control evaluated.

The operation of controls within a specific area of Former Tenant Arrears has been determined as Limited in the case of debt recovery, hence the High Priority recommendation. However, as this was a discrete area of the programme, Moderate assurance has been given overall.

We have identified several areas of fundamental and significant control deficiency, and areas with room for improvement. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below.

Priority	Number of Recommendations
High	1
Medium	1
Low	1
TOTAL	**3**

3.1 Examples of areas where controls are operating reliably

- The Council has an approved Rent Arrears and Recovery Policy in place that governs the management of housing rengs. The Policy was last reviewed by the Senior Leadership Team in November 2020. The frequency of review is two yearly, with the next review scheduled for November 2022.

- The Rent Collection and Procedure for collection of former rent arrears are incorporated as appendices of the Policy. These are also due for biennial review by the Senior Leadership Team. The procedure details that upon tenancy sign up, all rent charges and payment methods will be explained to them.

- Through review of the digital policy on the Council website, we noted that the Council has preventative measures in place to reduce the risk of the tenants going into arrears. They are as follows:

  o The measures that the tenants should follow in case they are faced with difficulties in paying their rent such as if their income has been affected by coronavirus and they are unable to make rent payments, they should contact the council. In addition, If the tenants need to make changes to their payment plan, or fall into financial difficulty, it is vital that they contact the Rents Team.

  o It is further outlined that, the tenants signed for their tenancy, all rent charges and payment methods will have been explained to them, but if they need to go through these again,

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a member of the Rents Team will be happy to discuss your options.

- o Furthermore, the tenants are afforded an opportunity to apply for Universal Credit or in some cases, Housing Benefit if they are struggling with paying their rent.

- o This section was updated on 21/10/2021.

- The Rent Arrears and Recovery policy has considered the consequence of the Covid-19 pandemic impact and the Council has made a commitment that it will support those affected by the Covid-19 pandemic with repayment plan options and provide an alternative approach to legal action. This was outlined on the digital policy which is available on the digital website for public access.

- We selected a sample of ten current tenants in arrears from Orchard reports of 1189 tenants with arrears over £500 and £1000. We confirmed that a staged approach to attempt to recover the arrears was followed in line with the Rent Arrears and Recovery Policy and Procedures with letters recorded on the system. (We note that the Rent Arrears and Recovery Policy does not explicitly state the timescales for the staged in the recovery process and have raised a recommendation in Section 04 in relation to this).

- We reviewed system notes for the same sample of ten current tenants in arrears and observed that tenants who were identified as requiring financial support are referred to the benefits function at the Council to help with any applications to maximise benefit entitlement. In addition, tenants were also referred to charities where applicable.

- Weekly arrear reports generated from the Orchard system of cases over £500 and £1000 as priority to review.

- We were informed by management that there were seven cases that have been escalated to court since January 2022. We reviewed three cases out of the seven (43%) and confirmed that the Council initiated all the steps of recovery prior to legal action within the given

policy timeframes and had engaged with tenants in an attempt to arrange payment plans.

- The Council reports the following Key Performance Indicators (KPIs) quarterly to Senior Leadership Team (SLT):

- o Percentage of rent collection and arrears recovery

- o Percentage reduction year on year outstanding debt owed to HBBC

- We selected a sample of two quarterly reports (Quarter 4 2021/22 and Quarter 1 2022/23) and noted that management were informed of the rent collection issues. Comments on the performance indicators were made and if there were issues with collection for that quarter, that was highlighted on the report and if there were improvements, those were also highlighted. The Council uses a guide named (AC Best Value Guidance 2007/08│ 5 - Housing 108) to calculate performance on the KPIs using a defined formular as per the guide. We further tested the figures reported through recalculation using the data provided from Orchard and the reported performance agreed to the data.

- The Council also has the Council Housing Services Update report which is prepared annually for the Senior Leadership Team (SLT) and Finance and Performance Scrutiny. The purpose of the report is to inform members of key activities and performance within the Council Housing Service including; Anti-Social Behaviour, Rents, Tenancy Management, Housing Repairs, and Older person services. We reviewed the 2021/22 report and confirmed it included rent collection performance in 2021/22 compared to the prior two years.

3.2 Risk Management

The Council's Housing and Community Safety Risk Register includes the following risks relating to this audit:

- HCS.093 Current Tenant Debt- COVID; and
- HCS.098 Increase in bad debt.

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Mitigating actions listed include:

- Revised rent arrears recovery process
- Specialist rents team in place and fully staffed
- Proactive work with those tenants affected by financial hardship as a consequence of the pandemic.

The Rent Arrears and Recovery policy has considered the consequence of the Covid-19 pandemic impact and the Council has made commitment that it will support those affected by the Covid-19 pandemic with repayment plan options and provide an alternative approach to legal action.

3.3 Value for Money

We have seen that some organisations are adopting additional software to analyse their rent accounts to identify high risk arrears cases as they emerge, which will need immediate action, and also cases where current payment levels will lead to accounts falling into arrears. The software is used to help to improve the efficiency or prioritising arrears cases and which ones the officers involved in income management are to focus on.

The Council does not currently have such a software in place, however, Orchard has a module to manage arrears which the Council uses. In addition, Orchard is configured in such a way that it sets thresholds values for arrears greater than £500 and £1000. This helps the council to flag the arrears which are accumulating and require intervention.

3.4 Sector Comparison

With the rollout of Universal Credit, the responsibility for managing rent payments lies with the tenants. While this scheme is designed to encourage financial responsibility and independence there is a serious concern that arrears from Universal Credit tenants will increase resulting in a higher rate of arrears-related evictions. However, resorting to eviction holds a risk of reputational damage. We understand that the Council are working with Department for Work and Pensions (DWP) to put in place direct payments.

There is an onus on organisations to place focus on personal contact with tenants to better understand and support them. Tenants who had previously been 'unseen' as their rents were paid directly now need greater support. This risk is further increased among vulnerable tenants who may rely on state funded housing. As such, we have seen a major push to improve the non-housing related support service offering from organisations to engage with the most at-risk individuals. Council's have established welfare support teams who provide financial or social advice, with links to external credit unions, money advice services and debt management firms if needed.

The Council is currently performing in line with peers by offering support to tenants through a number of services such as the Universal credit and Housing benefits.

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04   Areas for Further Improvement and Action

Definitions for the levels of assurance and recommendations used within our reports are included in **Appendix A1.**

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	**Former Tenant Arrears (FTA)** We selected a sample of five former arrears cases out of 383 cases and noted that in three cases arrears were not pursued by the Council in line with the Procedure for Collection of Former Rent Arrears. We identified: • one occasion where no FTA letter was issued to the tenant. A government initiative was introduced due to Covid-19 in which creditors could not chase debt for a period of time. After this expired, the Council failed to initiate any further chasing of the debt. • two occasions where no FTA was issued as there was no forwarding address recorded on the system as the tenant did not provide the Council with the new address upon lease termination or expiry. The Former Tenant Arrears Schedule as at September 2022 highlights 400 former tenant in arrears totalling £357k. Whilst we were not able to determine the age of these arrears, some values suggest many of these can be considered for write-off where the process of pursuing them has been exhausted. In addition, where a debt is uneconomical to pursue or there is no prospect of recovery, a write-off should be considered, following review by the ASB and Tenancy Manager or the Head of Housing.	Former tenant arrears should be monitored, and action taken in a timely manner. Cases should not be left un-actioned for a significant period of time. Where appropriate, debt should be written off, as per the requirements of the Procedure for Collection of Former Rent Arrears.	High	I will be introducing a more robust approach to managing FTAs over the coming months.	March 2023 Head of Housing

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Risk: Where action is not taken in a timely manner to retrieve former tenant arrears, there is an increased risk of no payment.				
4.2	**Reported Performance** The Council reports the two Key Performance Indicators (KPIs) quarterly to Senior Leadership Team (SLT) as tabulated in the background information of this report. Upon review of the KPI performance reported taking into account the actual performance versus the performance targets, we noted that the performance targets were not met on the first KPI for the quarter ending 30 June 2022 and on the second KPI for both quarters ending 31 March 2022 and 30 June 2022. There is currently no action plan in place to remedy the underperformance on the KPIs. *Risk: There is a risk that the performance targets might not be realistic.*	Management should consider reviewing the performance targets to determine if there is a need to adjust them based on the current factors such as the current cost of living crisis. In addition, management should introduce action plans on how they are going to remedy the underperformance on the KPIs.	Medium	Rent performance indicators are already provided with additional contect regarding wider economic impacts. There is an action plan that looks at the cost of living crisis, which considers rent performance.	N/A
4.3	**Incremental Approach Timelines** Section 7.2 of the Rent and Arrears Policy outlines the stages of rent recovery which includes stages for out of court (e.g. notification, reminder and final demand) and legal action (for example, Notice of Seeking Possession). Whilst the policy clearly defines the stages of rent recovery that should be followed in trying to recover rent arrears, we noted inconsistencies regarding the timeframes on when each stage should be executed. Only the Notice of Seeking position and Notice of Seeking Possession Coronavirus Act 2020 had stipulated timeframes on when to execute the notice, the other stages did not have time frames explicitly defined. *Risk: There is a risk of delays in incremental approach execution due to not having set timeframes on the steps.*	The Council should consider amending the policy to explicitly outline the timeframe on when each stage of the incremental approach will be executed for all stages.	Low	Given the cost of living crisis a less prescriptive approach to rent recovery is currently required. County Judges are only evicting people in substantial rent arrears cases.	N/A

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A1 Audit Information

<table>
<tr><td colspan="2" align="center">**Audit Control Schedule**</td></tr>
<tr><td>**Client contacts:**</td><td>Madeline Shellard: Head of Housing
Tricia Lavender: Senior Tenancy (Rents) Officer</td></tr>
<tr><td>**Internal Audit Team:**</td><td>Peter Cudlip: Partner
Hannah Parker: Field Manager
Axolile Kopman: Senior Internal Auditor</td></tr>
<tr><td>**Finish on site / Exit meeting:**</td><td>8 August 2022</td></tr>
<tr><td>**Draft report issued:**</td><td>18 October 2022 / 16 November 2022</td></tr>
<tr><td>**Management responses received:**</td><td>8 November 2022 / 24 January 2023</td></tr>
<tr><td>**Final report issued:**</td><td>26 January 2023</td></tr>
</table>

<table>
<tr><td colspan="3" align="center">**Report Distribution List**</td></tr>
<tr><td>**Report**</td><td>**Name**</td><td>**Job Title**</td></tr>
<tr><td>Draft & Final</td><td>Tricia Lavender</td><td>Senior Tenancy Officer</td></tr>
<tr><td>Draft & Final</td><td>Madeline Shellard</td><td>Head of Housing</td></tr>
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<tr><td>Final</td><td>Bill Cullen</td><td>Chief Executive</td></tr>
</table>

Scope and Objectives

Audit objective: Our objective is to provide assurance that HBBC has effective controls in place over rent arrears recovery arrangements for current and former tenants.

Our audit considered the following risks relating to the area under review:

- Policies and procedures - The Council does not have an adequate policy framework in place for rent arrears collection. The Council's policy is not reflective of current legislation, changes due to welfare reforms, increased financial challenges due to Covid-19 or good/successful practice in the sector.
- Arrears prevention - The Council has no measures in place to reduce the risk of tenants falling into arrears (e.g. maximising benefit take up and external publicity).
- Arrears recovery action - Arrears are not identified quickly, and appropriate action taken in line with approved policy and procedures. The Council does not have effective methods for prioritising and actioning arrears cases. Where Early Intervention has failed and increasing arrears are not identified in timely fashion, appropriate action is not taken in line with approved policy and procedures. Arrears action taken on cases is not recorded appropriately.
- Court escalation - Court action is inappropriately taken.
- Arrears monitoring - Monitoring and reporting or values and trends is not robust, so failing procedures or insufficient resources are not rectified by management in timely fashion.
- Performance reporting - Senior management are unaware of performance issues with rent collection.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

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Hinckley & Bosworth Council – Internal Audit Report
Payroll & Pensions 2021/22
January 2022

Final Report

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01 Introduction

As part of the Internal Audit Plan for 2021/22, we have undertaken a review of Payroll and Pensions. The objectives of the audit were to evaluate the adequacy of the system of internal controls and its application in practice with the area under review.

We are grateful to the Payroll Officer and all other staff interviewed for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

Arrangements to control and manage pay expenditure represent an important area for any organisation. Salaries and associated costs often represent a significant proportion of overall budgets. The Council has utilised MidlandHR (iTrent) as an integrated payroll and HR system since 2008. As of September 2022, there were 425 employees on the Council's payroll, as well as 72 casual staff members. Only the Payroll Officer and HR Manager have the access to process payroll.

The Council has a series of procedure notes in place in relation to the payroll system. The procedure notes were created by the Payroll Officer and are not subject to regular review. Procedures are available in a folder on a shared drive.

All office staff have access to the self-serve aspect of iTrent. Staff from HR and Payroll all have access to iTrent. HR staff manage recruitment and are responsible for adding new starters to iTrent. Responsibility for payroll and calculations of payroll is handled by the Payroll Officer.

Key documents should be scanned and indexed to the Enterprise Document Management System.

The Council has a New Starter Form in place which is to be completed for all new employees, then signed and dated by both HR and Payroll staff to record the data that has been input into iTrent and verified.

Job roles are graded through evaluations across a range of spinal points. The recruiting manager will confirm the salary of the new starter, which HR add to the draft contract and send to the line manager for confirmation.

When an employee accepts a role at the Council, HR requests scanned copies of their proof of identification in advance of their start date. On their first day of employment, candidates are required to provide physical copies of their documents, which are subject to Right to Work checks by HR, scanned and saved to their employee file.

The Council requires all employees (except casual staff) to provide two references prior to employment commencing. These references are required to cover the candidate's last three years of employment, or if this is not possible, a character reference.

All employees are provided with contracts of employment, which require their signature as acceptance. Contracts are then held on the relevant employee's file. Where workers are regarded as 'casual', they sign a Statement of Engagement for Casual Work.

Job descriptions are evaluated by managers, if a role requires a Disclosure and Barring Service (DBS) check then this is requested at the recruitment stage. HR will undertake the checks, completing forms online and recording the DBS reference and disclosure number on a spreadsheet and iTrent. If a role is new, the relevant manager is required to do an eligibility check online to see whether a DBS is required, and if so, whether it is an enhanced or basic check.

The leaver process is triggered when a manager sends HR a copy of a resignation letter. HR take this information, including the leave date and fill in a leaver form. Employees record annual leave on leave cards, which are monitored and retained by line managers. Leave cards are stored in Excel format for office staff and paper format for manual staff. HR will request a copy of the employee's leave card and collate with the leaver form to send to Payroll for final pay calculations.

Leavers should be marked as such on iTrent with the date recorded on the leaving form. Any adjustment to final pay, such as annual leave should be made.

P45s are submitted automatically to HMRC as part of a monthly batch run in iTrent following BACS payments. P45s are then printed and sent to employees in the post, along with their final payslip.

Changes to employee roles, hours or regrades are confirmed by the line manager. These changes are then sent to the HR team who complete a Change of Details Form to send to Payroll. This is then entered into iTrent.

Pension deduction calculations and percentages are sent annually from the County Council. These are input into the iTrent system by the Payroll Officer. Statutory deductions such as PAYE and National Insurance are calculated and applied within the system by Midland HR as an automatic process.

Claims for mileage are completed in the self-serve aspect of iTrent for office staff, with claims being sent to the line manager. Once approved, mileage requests are sent to Payroll for processing within iTrent. For manual staff, mileage requests are submitted using a paper form. These are sent for line manager approval and then onto Payroll for approval and processing.

Payment runs are undertaken by the Payroll Officer and then authorised by the HR Manager. The payroll is calculated, any errors are checked, and a warning report is run. All information is sent to Finance at month end for reconciliation.

03 Key findings

Assurance Rating

Limited Assurance

Rationale

Based on the agreed scope and rating criteria (see **Appendix A1** for the detailed scope and definitions of the assurance ratings), there is **Limited** assurance over the system of internal control evaluated.

The operation of controls within a specific area of Regulatory, Organisational and Management Requirements has been determined as Unsatisfactory in the case of Segregation of Duties and Right to Work checks, hence the High Priority recommendations. However, as this was a discrete area of the programme, Limited assurance has been given overall.

We have identified several areas of fundamental and significant control deficiency, and areas with room for improvement. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below**.**

Priority	Number of Recommendations
High	2
Medium	6
Low	4
TOTAL	12

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3.1 Examples of areas where controls are operating reliably

- We confirmed that Payroll procedures are available to staff in a shared drive.

- We received a list of reporting managers as exported from iTrent and confirmed all users had an authorising manager mapped into iTrent.

- We selected sample of ten out of 104 new starters between April 2021 and March 2022 and confirmed that their first basic salary matches the amount listed in their contract.

- We confirmed for the sample of ten new starters, that all applicable had a completed and verified new starter form in place.

- We confirmed that pension deductions have been made for the sample of ten new starters, where applicable.

- We confirmed for the sample of ten, that NI/Tax deductions had been made, where applicable.

- We confirmed for the sample of ten new starters, that those who required a DBS check have had this completed and a record taken of the reference number.

- We selected a sample of ten out of 87 leavers between April 2021 and March 2022 and found that leaver forms were in place for all non-casual staff members, and that these leaver forms had been signed by both HR and Payroll.

- For the sample of ten leavers, we confirmed that the 'left date' marked in iTrent matched the leaving date on the leavers form.

- We confirmed that P45s has been created and sent for the sample of ten leavers selected.

- We reviewed payment runs for July, August and September 2022 and confirmed that these has been prepared by Payroll and approved by the HR Manager.

3.2 Risk Management

We reviewed the Corporate Risk Register from October 2022. We found no risks directly linked to Payroll and Pensions. However, the following risk was listed- 'A45- Failure to prevent or detect fraudulent activities. Although we did not find evidence of fraudulent payroll activity at the Council, we found fundamental control deficiencies which led to incorrect payments, failure to conduct/record statutory right to work checks.

We have identified several further opportunities to improve the control environment and reduce risk exposure in this area as outlined in Section 04.

3.3 Value for Money

The effective and efficient administration of the organisation's core financial systems is important not only in ensuring robust financial control, but to ensure that activities such as payroll, are proportionate to their costs. Value for Money (VfM) implications also arise through the extent to which the existing financial systems meets the needs of the organisation, as well as the associated resourcing requirements.

In this way, the Council can evaluate whether the payroll process is achieving VfM through the assessment of Midland HR's ability to process payrolls accurately and free from error.

VfM implications arise in the expenses procedure in ensuring that expenses are only claimed for valid costs otherwise significant time and resource will need to be spent on correcting expense claims for relatively small sums of money.

Additionally, VfM implications arise in relation to the level of automation, or lack thereof, within the expense approval process. Our fieldwork found that whilst mileage claims are managed through self-serve in iTrent, other expense claims are submitted using paper request forms which are input by Payroll and verified by the line manager and HR. This requires additional time and resource for Payroll to assign expense claims within the system. The Payroll Officer advised that the use of iTrent for other expense claims has not yet been considered. We have raised a recommendation in relation to this in Section 04.

We noted that in HR and Payroll processes at the Council, there is an increased use of paper when compared to peers. This includes printing

and posting employee contracts, final pay slips and P45s, as well as the added postage costs.

The department also requires printing of employee files, to be signed by HR and Payroll, and then rescanned with wet signatures. The Payroll Officer informed us that there was a large backlog of cases awaiting scanning and indexing to employee files. We identified areas where we were unable to locate documents within employee files and have raised a recommendation in relation to this in Section 04.

3.4 Sector Comparison

Payroll and expenses are inherently high-risk areas. It is often found that without robust systems and processes being in place, these areas are highly susceptible to undetected errors or fraud. Furthermore, given continuing financial pressures, we have seen increasing incidences of fraud across the sector, although typically this is more prevalent around expense systems and processes. Good practice at other clients includes a regular reconciliation of headcount within the organisation to the staff listed on the payroll/HR system.

Greater reporting functionality allows for the use of data analytics tools. This permits for the analysis of all data sets providing a greater level of assurance than sample testing. In the course of our fieldwork, we found that iTrent does not currently have the functionality to export a list of salary adjustments that have been made. As a result of this, we were not able to obtain a population of salary adjustments from which to select a sample in order to perform testing. The functionality to produce reports on items such as this allows organisations to maintain oversight of changes being made to the payroll and, most importantly, to identify any salary adjustments that have been made in error.

We identified that the Council were not using variance reports to identify changes in monthly salary. We often see peers run monthly reports, demonstrating a range of payroll changes to be checked for validity including starters; leavers; +10% increase in salary; -10% decrease in salary; payments over £5k. We have raised a recommendation in relation to this in Section 04. The Payroll Officer confirmed that the

iTrent system has the functionality to undertake such reports and advised she had introduced them during the course of the audit.

04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with management. The recommendations are detailed in the management action plan below.

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	**Segregation of duties** Segregation of duties is built into HR/Payroll processes, with HR as the inputter and Payroll as the verifier. However, we found that there is no segregation of duties between HR and Payroll staff enforced within the iTrent software. Personnel who create or maintain payroll data and lists should not be allowed to make changes or add employees without management approval. *Risk: Staff can add ghost employees, leading to fraudulent payments.*	The Council should enforce segregation of duties between recruitment and payroll duties in iTrent.	High	The HR team have had full system access (over time) to increase resilience, for example, if payroll officers are absent then the three HR staff can run payroll. However, it is acknowledged that whilst we are increasing resilience to run a payroll, if the payroll officer is not present, it does increase the risk to add 'ghost' employees. In light of the audit report, we have now split access to the system as follows: - Payroll Officer and HR Manager (system administrator rights only so access to HR and Payroll) - HR officers, HR assistant and H&S Officer – read only rights and input into recruitment modules only.	1 December 2022 HR Manager

4.2	**Right to work (RtW) checks**	The Council should:	High	Indexed files are now up to date.	Immediate
	We selected a sample of 10 new starters between April 2021 and March 2022 and asked to see their Right to Work documentation.	• Complete RtW checks for all new employees;		The backlog was due to high levels of recruitment, which has been unprecedented, and has taken priority over the indexing of documents. Original passports are seen at the HR Induction stage. Due to the HR officer being relatively new, they have not been signed and recorded to say they have seen the original copy. This has now been rectified and the officer has received refresher training to record as per the government guidance.	HR Manager
	The HR Assistant advised that at the time of the audit, the department had a 10+ month long backlog of files waiting to be scanned and uploaded to Enterprise.	• Record date of checks on scans of documents;			
	We found that the dates of the checks of documents are not being recorded on the document scans at the time of the checks, as required by government guidance.				
	Due to the backlog of document uploads, two of the sample selected (who started in March 2022) did not have their RtW documents uploaded to their electronic employee file.	• Obtain assurance by completing RtW checks for the two current employees who were TUPE'd; and		This is in progress as we acknowledge that it is best practice to do so. However, this is not mandatory under the TUPE process.	February 2023
	The Council could not provide RtW documentation for three employees, one employee had started in August 2021 and was no longer in employment with the Council. The other two employees had been TUPE transferred from Sopra Steria and RtW checks were assumed to have been done at the previous organisation	• Consider going paperless to prevent backlog of paper records.		This will be considered as part of the review of the HR System	September 2023 HR Manager
	Risk: New starters are not eligible to work. The Council is liable for civil penalties and criminal convictions.				
4.3	**Annual leave**	The Council should review its annual leave procedures and implement a policy, detailing its approach to annual leave periods and leave cards.	Medium	The council has an 'Annual leave guide for Managers'. The automation of annual leave requests was considered	September 2023 HR Manager
	Council employees maintain 'Leave Cards' recording their entitlement and				

usage dependent on their start date and run annually from that date.

There is no Annual Leave Policy in place setting out HBBC's approach to annual leave periods and management of leave cards for all employees. However, there is a 2020 document named 'Annual Leave Guide for Managers' which details calculations for annual leave entitlement.

HR maintains a master spreadsheet of all employee's leave entitlement; however, annual leave is managed by an individual's line manager.

HR does not have oversight of individual leave and leave cards are not stored in a central location.

When an employee leaves, HR request the individuals leave card and use this information to complete a calculation of the leaver's annual leave entitlement to be paid/claimed back.

We selected a sample of ten leavers between March 2021 and April 2022 and reperformed their annual leave calculations.

We identified one occasion where an employee had been overpaid by £85 due to a miscalculation.

We also identified two occasions where employees carried annual leave (four days and eight days respectively) over to the following year, despite the Annual Leave Guidance document stating *'If an employee does not take their full*

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The Council should consider using iTrent to log and approve employee annual leave and/or require annual leave cards to be stored in a central location where HR have access.

The Council should ensure that annual leave calculations are checked and verified so that employees are paid for annual leave correctly.

previously, however it proved problematic to implement personal leave years. It would also not work for manual employees (approximately 80 staff) who do not access iTrent. This will be re-visited as part of the HR system review.

HR do not manage the AL as this is delegated to managers. All managers sign off holiday requests and carry forward and this is recorded on the employee and manager copy. The maximum of the five days carry forward was relaxed during the pandemic and guidance was issued to all staff.

Whilst always verified by one officer, we are implementing an approach where this is checked by two HR officers before submitting to payroll.

entitlement of annual leave they cannot carry it over to the next year unless the Council has prevented them from taking the leave, in which case they can carry over five days.

Guidance sent from the HR Manager in June 2020 advised that these rules had been relaxed due to the Covid-19 pandemic*'*. The HR Manager confirmed that HR do not have the capacity to oversee these checks and line manager approval is sufficient for any amount of carry over.*Risk: Leave cards can be lost or deleted. HR have no oversight of annual leave usage.*

					Implemented. HR Manager
4.4	**Time Off In Lieu (TOIL)** The Council's TOIL Policy states that staff should not be allowed to accrue more than three working days TOIL and that this must be taken within 12 months of accrual. However, in exceptional circumstances, managers have discretion to agree up to five days. In our testing of leavers, we identified one employee who had accrued 32 hours of TOIL. Although we have seen evidence that this was approved by the line manager, we were not provided with any supporting evidence of exceptional circumstances for this TOIL accrual. As with annual leave, HR do not presently conduct these checks when processing a leaver and responsibility for enforcing the Policy is with the line manager.	The Council should remind relevant managers of its TOIL Policy and where exceptional circumstances arise, evidence should be retained.	Medium	Under 7.6 of the TOIL policy - in exceptional circumstances the manager can agree that TOIL can be accrued up to 5 days. Generally, staff do not accrue TOIL as they have access to the flexi time scheme to manage workloads. However, in this circumstance the officer involved had accrued excessive hours due to workload within the planning team (she was admin support). The attached holiday leaver information supports our view that all carry forwards and holiday approvals are signed off by the manager.	N/A

	Risk: Staff accrue TOIL over and above policy allowances, affecting staff budget management.				
4.5	**Payroll Policy** The Council does not have a payroll policy and procedure in place documenting key roles and responsibilities in the payroll process along with a timetable detailing key dates and milestones. Policy documents serve to ensure that the payroll process does not experience significant delays in the instance that a key member of staff, e.g. the Payroll Officer, is unavailable. We have included an example in Appendix 2. *Risk: Staff are unable to process payroll in the absence of the Payroll Officer.*	The Council should produce a payroll policy detailing the roles and responsibilities of key members of staff involved in the process. The policy should include key dates, milestones and timelines. The Council should introduce a timetable detailing key dates and deadlines in relation to payroll processes. The payroll timetable should be issued and accessible to all relevant employees	Medium	This will be documented.	June 2023 HR Manager
4.6	**Procedures** Payroll procedures that are in place are created by the Payroll Officer. There is currently no programme of regular review of these documents. The New Starter procedure includes an out-of-date version of the New Starter Checklist which is no longer in use. We identified that there are no procedures in place for the following key payroll areas: • Variations/adjustments; • Deductions; • Expenses;	The Council should implement standard operating procedures for all key payroll areas and ensure these are easily available to staff for reference. All policies/procedures should be given a review period and reviewed in line with this schedule.	Medium	The procedures will be reviewed annually. The new starter checklist is updated and has been reflected within the procedure note.	June 2023 HR Manager

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	• Reconciliations. *Risk: Processes are carried out inconsistently or incorrect due to a lack of guidance. Guidance is not reviewed regularly and therefore does not reflect changes in current practice.*				
4.7	**Contingency plan** There is no formalised contingency plan in place for the payroll department. Only the Payroll Officer and HR Manager have access to process payroll. *Risk: There is no plan in place for the payroll department in the instance of emergency*	The Council should formalise a contingency plan for the payroll department in the event of an emergency. The contingency plan should be reviewed and approved regularly.	Medium	Given the change in segregation of duties the current plan needs to be reviewed and updated	June 2023 HR Manager
4.8	**Variance reports** The Council does not currently undertake any monthly salary variance reporting. At peers, we see organisations using their payroll software to conduct variance reporting on a range of factors including new starters, leavers, salary increase >10%, salary decrease >10% and payments over £5k. *Risk: Payroll are unaware of incorrect payments to staff, leading to financial loss.*	The Council should introduce monthly variance reporting using iTrent to identify any discrepancies.	Medium	Reports now being run.	Implemented HR Manager/ Payroll Officer
4.9	**Employee contracts** All employees should have a signed contract in place.	The Council should ensure all employees have a signed contract saved to employee file.	Low	Data has always been held. Backlog files are now up to date.	Implemented

	We selected a sample of 10 new starters between April 2022 and June 2022. Contracts were not available on employee files for two employees but were located in paper form. We were informed that this was due to a backlog in indexing the cases to the electronic system. These employees commenced employment in March 2022. *Risk: The Council and its employees are unaware of their respective rights and responsibilities.*				
4.10	**References/Paper** The Council requires two references covering the last three years of employment for any permanent or fixed term employees. We selected a sample of ten new starters between August 2021 and June 2022 and found that on two occasions (in June 2021 and November 2021), the references for the starters were not saved to the employee file on the document storage system. *Risk: Employee information is not easily accessible when needed.*	The Council should ensure all pertinent employee information is uploaded to employee files in a timely manner.	Low	Data has always been held. Backlog files are now up to date.	Implemented
4.11	**Mileage** Office staff should claim mileage through the self-serve function in iTrent. There is a procedure document in place that states employees should include a fuel VAT receipt for the period claimed.	The Council should ensure supporting VAT fuel receipts are uploaded to iTrent along with claims.	Low	VAT receipts are sent to HR and stored centrally on an annual basis. Will review as part of the system review.	September 2023 Julie Stay

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	The Payroll Officer told us that these are not uploaded to iTrent and instead assumed to have been reviewed by the line manager at approval stage. There are no checks on mileage claim amount conducted by Payroll. *Risk: Mileage submissions are incorrect or fraudulent.*	The Council should consider introducing spot checks on mileage claims to ensure accuracy and compliance with the Flexible Working Policy.		Not practical due to limited capacity. It is the managers responsibility to ensure that mileage claims are accurate.	
4.12	**Expenses** Staff expense claims have been processed by Payroll since January 2022. As detailed in 4.7, there are no procedure notes held by Payroll detailing the current process. Staff submit expense claims using a paper request form, to which they attach receipts and send to their line manager for approval. Once approved by the line manager, the form is sent to Payroll to process via email or internal post. Once received, payroll add these into a spreadsheet for the month *'Master spreadsheet'*. Once payroll have received and input the data, the claim forms and receipts are printed, added to a folder for the month and sent to HR to be verified. HR review submissions and receipts and add a wet signature. Once verified, the paper file is then sent back to Payroll, who send the file to the post room to rescan and upload the	The Council should: • Ensure all expense claims have the appropriate approval; and • Consider moving the expense process over to iTrent.	Low	Will review as part of the system review.	September 2023 HR Manager

documents to the document retention system. The file is then sent back to Payroll and the Payroll Officer checks the file again to ensure everything has been uploaded before the file is destroyed.

HBBC have not yet considered moving this process over to employee self-serve iTrent.

We selected a sample of ten expense claims between April 2022 and June 2022 and found one occasion where no evidence of line manager approval could be found, and three occasions where evidence that HR had verified the claim could not be provided.

Risk: Incorrect payments to staff resulting in financial loss. Paper documents could be lost. Manual processes take up staff resources.

A1 Audit information

Audit Control Schedule	
Client contacts:	Beverley Parker: Payroll Officer/ Systems Administrator
Internal Audit Team:	Peter Cudlip: Partner
	Sarah Knowles: Senior Audit Manager
	Jessica Holt: Assistant Manager
Finish on-site / Exit meeting:	2 November 2022
Draft report issued:	15 November 2022
Management responses received:	12 January 2023
Final report issued:	25 January 2023

Report Distribution List		
Report	**Name**	**Job Title**
Draft & Final	Beverley Parker	Payroll Officer
Draft & Final	Julie Stay	HR Manager
Draft & Final	Julie Kenny	Director (Corporate and Streetscene Services)
Draft & Final	Ashley Wilson	Head of Finance (S151 Officer)
Final	Bill Cullen	Chief Executive

Scope and Objectives

Audit objective: Our objective is to provide assurance that HBBC has effective controls in place over its Payroll and Pension processes.

Our audit considered the following risks relating to the area under review:

- Standing data is amended incorrectly or fraudulently;
- Incorrect payments made to staff resulting in financial loss;
- Ghost employees are added to Payroll;
- Payments are made to officers who have left the council;
- Unauthorised amendments made to payroll;
- The Council pays more than is required due to incorrect calculation of deductions;
- Errors in payroll processing not identified in a timely manner;
- Inaccurate financial information; and
- Inaccurate transfer of data.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	**Description**
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	**Description**
High (Fundamental)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium (Significant)	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low (Housekeeping)	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below. The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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A2 Payroll Policy

1. Policy

X are committed to providing a comprehensive payroll service which pays employees accurately, on time and deals appropriately with payroll queries/enquiries.

X will also ensure that the payroll service complies with all statutory, legal and contractual requirements and contributes towards staff retention and the X strategic objective of being the local employer of choice.

This Policy has been written with a view to avoiding any adverse impact it may have on any individual by reason of their age, disability, gender, gender reassignment, sexual orientation, race, religious belief, paternity/ maternity or civil partnership/ marital status (in accordance with the Equality Act 2010), caring responsibilities or chosen working pattern

Responsibilities

- Head of Human Resources and People Development: Ownership of the Policy
- HR/Payroll: Overall responsibility for the implementation and monitoring of the Policy.
- All Managers and Staff: To be aware of, and implement the contents of this Policy.

2. Purpose of the Policy

The purpose of this Policy is to ensure that:

(a)   Employees are paid accurately and on time;

(b)   Employees are aware of their responsibilities in ensuring that they are paid accurately and on time

(c)   The X has appropriate internal approval processes in place for payroll

3. Payroll Activities

In order to ensure the provision of a comprehensive payroll service the HR department will undertake the following activities:

- Generate the monthly input process for payroll, including integration via HR system on starters, leavers, employment changes, sickness, absence and relevant statutory payments
- Collate and validate all overtime, mileage and expenses payments
- Apply any statutory advice or instruction
- Undertake relevant data checks throughout the payroll process
- Ensure timely and accurate creation and submission of P60's, P11d's and year end completion
- Ensure the timely and accurate completion of all statutory, legal and contractual returns.
- Collate and validate payments to statutory bodies or other third parties as legally or contractually required
- Respond appropriately to staff queries

4. Payments

4.1   Cost of Living/Annual pay awards

Where cost of living increases are agreed by Chief Executive these will be paid with effect from the 1st April in the relevant year.

Annual pay awards for Directors and the Chief Executive will be agreed by the board following a review by the Remuneration and Appointments Committee.

4.2   Overtime

In order to claim overtime the relevant form must be completed by the individual making the claim and then submitted to their manager for approval. The completed form then needs to be forwarded to Payroll.

Part-time employees are paid at their standard hourly rate until the hours they have worked equate to full time.

4.3   Expenses

In order to claim expenses the relevant form must be completed by the individual making the claim and then submitted to their manager for approval. The completed form then needs to be submitted to Payroll.

Expenses must be claimed within one month of being incurred in order to guarantee payment. The expense form must be submitted to Payroll by the 5th of the month in order to be included in that month's payroll.

Please refer to the Expenses Policy for more details.

4.4   Mileage Claims

In order to claim mileage the relevant form must be completed by the individual making the claim and then submitted to their manager for approval. The completed form then needs to be submitted to Payroll. Mileage books can be obtained from HR/Payroll.

Mileage must be claimed within one month of the journey being undertaken in order to guarantee payment. The mileage claim form must be submitted to Payroll by the 5th of the month in order to be included in that month's payroll.

Please refer to the Expenses Policy for more details.

4.5   Other Payments

Other payments processed through Payroll will be paid in line with the relevant policies.

5. Monthly Payments

Salaries are paid on or around the 15th of the month by direct credit transfer into a bank or building society account of the employee's choice.

It is the employee's responsibility to ensure that they keep their bank account details up to date using HR system self-service utility.

6. Pension Auto Enrolment

All new members of staff will be automatically enrolled into the X's Personal Pension scheme. X has agreed to utilise the postponement period of three months. The first pension deduction will be in the third month after commencement of employment.

Employees will be able to opt out of the scheme by contacting the X's Personal Pension scheme provider.

Should an employee opt out of the scheme they will be automatically re enrolled every three years.

For further information on the X's personal pension scheme please refer to Intranet or contact HR/Payroll.

7. Input and Authorisation of the Payroll

All employees' contracts and any other payments are authorised by the Head of HR and People Development or a Director

The payroll input will be made by a member of HR/Payroll and will be checked by the Head of HR and People Development, who will in normal circumstances not be responsible for the input. If they have been involved in the inputting of data, the input will be checked by another member of HR. Once checked by HR and the relevant reports prepared, the payroll will undergo a check by a senior member of Finance who will sign the reports to confirm that the appropriate checks have been undertaken.

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Final authorisation of the payroll, along with the authority to release funds to meet the requirements of the payroll, will be made by the Chief Executive. If the Chief Executive is unavailable, final authorisation will be signed by the Finance Director or another Director.

The BACS payment file submission is produced by a member of HR. This is then approved and sent by the Finance Department.

8. Overpayment of Funds/Payroll Discrepancies

8.1   During Employment

HR/Payroll is responsible for ensuring that appropriate systems exist for ensuring that all staff who are subject to payroll discrepancies are dealt with in a fair and equitable manner and in accordance with current employment legislation and good practice.

Employees have a responsibility for checking each payslip they receive and to advise HR/Payroll if they have been overpaid by any amount. Failure to do so may result in disciplinary action, particularly if the employee was aware of an overpayment but failed to report it.

In addition, budget holding managers have a responsibility to review all salaries and wages charged to their cost centre and query any unusual items or unexplained variances with HR/Payroll.

In accordance with the Employment Rights Act 1996 the X are lawfully entitled to make a deduction for an overpayment made to an employee by deducting it from future wages. Consideration will be given to the circumstances of each employee and the circumstances of the overpayment and an overpayment repayment schedule may be agreed by the Head of HR and People Development dependent on the circumstances of the overpayment. A copy of the schedule will be kept on the employee's personnel file.

In the event of an overpayment of salary or any other payment, the employee will be met with by a member of HR/Payroll and/or their manager to discuss

this. They will also be provided with any written notice of the background to the overpayment, the amount of overpayment and the proposed plan for repaying the money.

If during the period of repayment the employee's salary is affected by maternity leave, half pay due to sickness absence or no pay for any other reason, then the schedule may be renegotiated.

8.2   On leaving the X

When an employee leaves the X any outstanding balance on an overpayment repayment schedule will be recovered in full from the employee's final payment. Should the final payment not be sufficient to cover the outstanding balance an additional payment will be required from the employee prior to their departure.

In exceptional circumstances an employee may request for the repayment to be made in instalments which will need to be agreed with the Head of HR and People Development.

8.3   After an employee leaves

If an overpayment is identified once an employee leaves the ex-employee will be contacted and provided with written notice of the background for the overpayment, the amount along with a request for payment within 14 days.

If no response is received from the ex-employee within this timeframe the X's normal debt recovery procedure will be followed for the outstanding amount.

9. Underpayment of salary or any other payments

In the event of an underpayment of salary or any other payment, the discrepancy will be rectified in the following month's payroll run.

In the event that the employee feels that they will be caused financial hardship by waiting for the rectification, they can request the X consider an interim payment. The criteria for an interim payment will be that the employee has

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suffered a significant shortfall in the net pay that they expected to receive as a result of the underpayment. Any interim payment needs to be agreed by the Head of HR and People Development.

No interim payments will be made where the shortfall in pay was caused by the employee submitting overtime, mileage or expenses claims after the payroll deadlines.

10. Monitoring and storage of information

All payroll documentation and data will be stored securely and confidentially and will only be used for the purpose for which the information has been collected.

Payroll records will be kept for 6 years after which time the records will be disposed of confidentially.

11. Review

This Policy will be reviewed from time to time to ensure that it reflects the X's legal obligations and organisational and business needs.

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Hinckley & Bosworth Borough Council – Internal Audit Report
Responsive Repairs
December 2022

Final Report

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of Hinckley & Bosworth Council and terms for the preparation and scope of the Report have been agreed upon with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently, no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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01 Introduction

As part of the Internal Audit Plan for 2021/22, we have undertaken an audit of responsive repairs at Hinckley and Bosworth Borough Council ("the Council"). The objective of the audit was to evaluate the adequacy of the system of internal controls and its application in practice with the area under review.

We are grateful to the Head of Housing, the Repairs Manager, the Housing Repairs Helpdesk Team Leader, and all other staff for the assistance they provided to us during the course of the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the review. Such matters have been discussed with the relevant staff.

02 Background

An effective, efficient, and robust responsive repairs service is key to providing tenant satisfaction for Registered Providers (RPs). Additionally, there are important statutory considerations regarding the repairs function by landlords. For example, the Landlord and Tenant Act of 1985 states that landlords are responsible for carrying out repairs to the properties they own and rent to tenants. Furthermore, the Regulator of Social Housing Standard (RSH) requires a cost-effective maintenance and repairs services to homes and communal areas, that responds to the needs of and offers choices to tenants and has the objective of completing repairs and improvements first time.

The Council is responsible for over 3,200 homes in the borough and uses contractors and an in-house team to carry out responsive repairs. In 2021-22, a total of 31 different contractors were used. Out of 10,269 jobs completed in 2021-22, 5,677 (55%) were carried out by the in-house team.

Day-to-day management of the repairs service sits with the Head of Housing and Repairs Manager. The Council operates a phone line to report repairs and the Repairs Call Centre logs the repairs onto the housing management system, Orchard. Additionally, repairs can be logged on the Council's website through a standard form. Accuserv is the software used to manage contractor repairs and was implemented by the Council in early 2022.

RPs are currently struggling nationally to ensure that responsive repairs are completed in a timely manner in the wake of the pandemic. There is a government recognised shortage of skilled labourers, causing RPs to experience a backlog combined with an inability to access homes for long periods of time during measures to restrict the spread of Covid-19. This is the case with the Council who are operating a backlog of repairs to complete, which began during the Covid-19 pandemic. The Council has sought to use additional contractors to help to reduce the backlog.

Repairs are split into four categories, which have the following timescales and performance. A risk-based approach has been taken with a focus on ensuring Emergency repairs are completed within timescales.

KPI	Target	2021/22	June 2022	September 2022
% of Priority 1 (Emergency) works completed on time	1 day	100%	100% →	100% →
% of Priority 2 (Urgent) works completed on time	5 days	99.41%	97.41%↓	96.96%↓
% of Priority 3 (Routine Repairs) works completed on time	28 days	65.21%	74.68%↑	70.3%↓
% of Priority 4 (Planned) works completed on time	91 days	75%	76.8%↑	68.7%↓

Each repair is required to be approved. The Repairs Call Centre team have an authorisation limit of £50. In the Responsive Maintenance department, staff can only approve job orders and payments within the Council's scheme of delegated authority. Once a team member has raised the job, and it has been approved by a member of staff with sufficient authority, it will be sent to Finance for approval before being paid (once the work has been carried out).

The Council monitors performance on the completion of repairs, reporting to the Senior Leadership Team on a quarterly basis. The Council also reports on tenant satisfaction with repair works carried out. After every repair, a tenant satisfaction slip is given to the tenant to return. At the end of 2021-22, the Council had received 2,148 responses (21%) from tenants, with a satisfaction rate of 96.83% reported. The satisfaction figure as of September 2022 was 98.9%.

03 Key findings

Assurance Rating
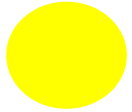
Moderate Assurance

Rationale

Based on the agreed scope and rating criteria (see Appendix A1 for the detailed scope and definitions of the assurance ratings, there is **Moderate** assurance over the system of internal control evaluated.

We have identified some areas with room for improvement relating to KPI reporting and analysis of repairs data. Further detail regarding the recommendations is in **Section 04** and a summary of key observations is included below**.**

Priority	Number of Recommendations
High	-
Medium	2
Low	2
TOTAL	**4**

3.1 Examples of areas where controls are operating reliably

- The Council has a Responsive Repairs Procedure Manual on the staff intranet. We reviewed the Manual and found that it detailed how to receive a repairs request via phone and raise this as a job on Orchard; how to log customer complaints, guidance for surveyors carrying out pre- and post-inspection works. The Manual goes on to detail specific procedures for boiler, gas, asbestos, and void inspections.

- We reviewed the tenancy agreement template and confirmed that tenants are informed of their responsibility to report repairs to the Council.

- The Council's website includes a section dedicated to housing repairs. There is a link to a repair report form, as well as the four different categories of repair: Emergency Work, Urgent Work, Routine Work and Planned Work. Additionally, there is guidance on repair appointments, access to tenant homes, and customer service during and after the repair.

- Guidance is available for tenants on common repairs issues along with links to videos showing how to carry out simple repairs.

- Members of the Housing Repairs Helpdesk are given instructions and guidance on how to categorise repairs as the correct priority. The Council also uses pre-inspection visits where this is deemed necessary to ensure that the repair is completed in a timely manner but also that it is completed first time.

- Authorisation limits for job approvals are set up on Orchard for members of the Responsive Maintenance team. We selected a sample of 14 out of 17,010 repairs carried out (and paid for) between April 2021 and March 2022 and confirmed all 14 were authorised within the user's limit.

- The Council has oversight over all open and completed jobs within Orchard. Weekly reports are available which include the number totals for the live jobs, their estimated value, the number of jobs logged but not raised with contractors or the in-house team, and the date the contractor diaries are booked up to. Additionally, there are figures on the number of live jobs Out of Target, their estimated value, and the number of new jobs raised in the last seven days. As of 1 August 2022, we note that there are 873 live jobs, of which 582 are Out of Target.

- We reviewed completed repairs data for 2021-22 and confirmed that there were no duplicate job orders/numbers listed.

- We selected a sample of four out of 31 contractors used by the Council and requested meeting minutes for the most recent progress meeting. We received minutes for three contractors and

confirmed that any issues were discussed within these meetings with corresponding actions. For example, queries about the standard of scaffolding and the percentage of first-time fix rate on repairs. The former issue resulted in a site meeting being organised between a member of the Council and the scaffolding team. For the fourth contractor, PRB, we were informed that meetings are held on an ad-hoc basis as they are not used as frequently. We were informed that there had been no issues with PRB.

- Repairs over £1,001 should have a post inspection. We obtained completed repairs data from April 2021 to March 2022 which detailed 303 repairs out of 307 over £1,001 had received a post inspection. This equates to 99%. (N.B we sought to obtain an explanation for the four repairs with no post inspection recorded, however, this was not provided during the audit fieldwork)

- We confirmed that the figure reported to the SLT on customer satisfaction with repairs, 96.83% in 2021/22, was correct according to the spreadsheet with the collated responses.

- We confirmed that opportunities to seek improvements are identified at Housing Repairs team meetings. We received the past three quarterly meetings of the team where we noted that current issues were discussed, and solutions presented. For the last three meetings, the implementation of Accuserv, staffing issues at the Repairs Helpdesk and in-house repairs team were key topics.

3.2 Risk Management

The Council has a section of their Risk Register dedicated to Housing Repairs. There are ten risks allocated to Housing Repairs: Fraud; Financial procedures, Staffing levels, Tenants' heating affordability, Material costs, funding, Business Plan, Safety and Compliance, Legionella Contamination, and Covid-19 restrictions.

With regards to the relevant risks outlined above, we confirmed that meetings are held with contractors where they are held to account for their performance. Additionally, we confirmed that the Council carries out satisfaction surveys for its repairs, records the responses and reports these to their SLT. We also confirmed that there was a clearly outlined procedure for categorising repairs.

We noted that the monitoring of figures for Right First Time Repairs and the timeliness of repairs could not be confirmed by our testing due to the manual corroboration of these figures by the Repairs team. This was due to the implementation of Accuserv in early 2022 which caused issues with the reported data in Orchard. We have included a recommendation on this in **Section 04** below.

3.3 Value for Money

It is not uncommon in the sector for RPs to move their responsive maintenance functions in-house, with many, including the Council, delivering responsive repairs through a combination of in-house and contractor services, citing the extra control of having an in-house service as an effective base to improve the efficiency of repairs work and subsequently maximise tenant satisfaction. Potential cost savings are also a major factor, with procurement and contractual costs of using external parties often much higher than running the service in-house.

The Council has an in-house repairs service that conducts more than half of all works orders and in 2021-22 made use 31 contractors. With such a volume of contractors used it is essential that clear oversight is maintained of performance and whether the Council is receiving value for money. We understand that regular meetings take place with the larger contractors.

Unlike other organisations, we understand that the Council has not carried out analysis of repairs in relation to:

- Repairs costs per property
- Repeating component failures identified
- Number of contractor jobs Out of Target (exceeding deadlines)
- The average delay of contractor repairs.

Such analysis may identify improvements to processes and value for money opportunities. We have raised a recommendation in relation to this in Section 04 below.

3.4 Sector Comparison

Reporting on repairs is an essential tool for all social housing providers, as each repair may be processed by several colleagues in different

teams and go through multiple stages. Accurate reporting allows management to identify which stages of the process could be improved upon and where changes to processes may be required. The majority of peer organisations report on the percentage of jobs completed on time, per priority type, and the number of repairs done right the first time as a KPI. We note that the Council are in line with sector practice here and also report on customer satisfaction levels.

Post inspections are a vital part of the repairs process, as they are used to confirm that repairs have been completed to a satisfactory standard. It is therefore important that post inspections are conducted for a range of repairs provided, especially for work orders with a high value. We noted that the Council aim to carry out post inspections for 1% of repairs between £28 and £250; 10% of repairs between £251 and £1,000, and 100% of repairs over £1,001.

Many housing providers are now reviewing their business processes and assessing how technology can improve the service that they provide. With regards to repairs and maintenance, we have seen other RPs take a digital approach with the use of iPads and other tablet devices to complete inspections on site, using apps that are linked to the housing management system. During post inspections, the Council's in-house team will make notes either their tablet, and the information would be transferred onto Accuserv once the surveyor returns to the office. The tablets used by contractors on site do not currently have Accuserv access. In addition, at peers, we see a more digital process to issuing satisfaction surveys. At present, the Council issues a paper slip when the repair is completed. The return rate of surveys in 2021/22 was approximately 20%.

04 Areas for further improvement and action plan

Definitions for the levels of assurance and recommendations used within our reports are included in **Appendix A1.**

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

We note that we were unable to test whether repairs reported by tenants were entered onto the system. The Council's process is for tenants to either call the Repairs Helpdesk, who will then directly log the repair, or complete an online repair form.

<div style="writing-mode: vertical-rl">Page 65</div>

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	**KPI reporting** The Council report KPIs on Right First-Time statistics on repairs as well as the timeliness of repairs, for all four repair categories. The reporting is delivered on a quarterly basis to the SLT. We were unable to test the accuracy of the Right First Time and timeliness figures, as performance is manually calculated and supporting data is not retained. We were informed that the implementation of Accuserv in early 2022 impacted the accuracy of figures reported in Orchard. As a result, the Repairs team manually corroborate figures between Accuserv and Orchard. *Risk: The Council receives incorrect performance statistics on repairs, such that they are unaware of where improvements could be made.*	The Council should: • Ensure that any KPIs reported can be substantiated by retention of base data where possible; and • Fix the data issue between Orchard and Accuserv.	Medium	These are currently in progress.	March 2023 Housing Repairs Manager
4.2	**Repairs analysis** The Council uses Orchard and Accuserv to record responsive repairs carried out for both in house and contractor repairs. From the system, reports can be extracted for all repairs. Information can be viewed such as the contractor used, repair	The Council should consider carrying out regular analysis on repair spending and contractor data to identify performance improvements.	Medium	This action will be reviewed and any service improvements required will be implemented.	March 2023 Housing Repairs Manager

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	category, the date that the repair was entered into the system and the date of completion. Unlike other organisations, we understand that the Council has not carried out analysis of repairs in relation to: • Repairs costs per property • Repeating component failures identified • Number of contractor jobs Out of Target (exceeding deadlines) • The average delay of contractor repairs. We understand that this is due to limited resources, however, this analysis can help to identify improvements to processes. We carried out such analysis and identified 16 properties where over 20 repairs were carried out from April 2021 to March 2022. For contractors, we identified that one contractor had 41 repairs open that were already Out of Target and had an average delay of 188 days for repairs with a 28-day timescale. We have been informed that contractor delays are expected due to the backlog experienced at the moment. *Risk: The Council has insufficient oversight on its repairs performance.*				
4.3	**Responsive Repairs Procedure Manual** The Council have a Responsive Repairs Procedure Manual in place that details the process of the various types of repairs, how to raise them and correctly log them on Orchard, the Council's housing management system. The Manual does not include: • The date of creation or review;	The Council should ensure that: • The Manual is reviewed on a regular basis and approved at an appropriate level at the Council;	Low	Agreed. The manual will be revised and then subject to annual review.	December 2023 Housing Repairs Manager

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	• Next due date for review; • The document owner; and • The document approver. The Council uses Accuserv in addition to Orchard for recording contractor repair works. The use of Accuserv is not referenced in the manual. *Risk: Documented policies and procedures are not adequately reviewed, leading to lack of awareness of processes.*	• System changes are appropriately reflected in the Manual when necessary; and • The Manual includes version control such as date of last review and approval.			
4.4	**Repairs Satisfaction Surveys** At present, the Council issues a paper slip when the repair is completed. At peers, we see a more digital process to issuing satisfaction surveys, for example, text message. In addition, using paper forms increases the risk of lost forms. The Council's return rate of surveys in 2021/22 was approximately 20%. Satisfaction with the repairs service is currently positive with 98.75% satisfaction in June 2022 and 98.9% satisfaction in September 2022. *Risk: The Council may not be receiving sufficient tenant feedback on repairs due to the method used to obtain feedback. As a result, improvement to the service may not be identified.*	The Council should consider digitising the feedback process for the service, for example, sending customers a text or a short email survey.	Low	This we do, and are required to do with new tenant satisfaction measures coming in.	April 2023 Housing Repairs Manager

A1   Information

Audit Control Schedule	
Client contacts:	Madeline Shellard: Head of Housing Gary Upton, Housing Repairs Manager
Internal Audit Team:	Peter Cudlip: Partner Sarah Knowles, Senior Audit Manager Hannah Parker, Field Manager Aman Sair, Internal Auditor
Finish on site / Exit meeting:	21 September / 13 September 2022
Draft report issued:	15 November 2022
Management responses received:	28 November 2022
Final report issued:	1 December 2022

Report Distribution List		
Report	**Name**	**Job Title**
Draft & Final	Gary Upton	Housing Repairs Manager
Draft & Final	Madeline Shellard	Head of Housing
Draft & Final	Sharon Stacey	Director (Community and Development Services)
Draft & Final	Ashley Wilson	Head of Finance (Section 151 Officer)
Final	Bill Cullen	Chief Executive

Scope and Objectives

Audit objective: To provide assurance that the Council has adequate controls in place over its arrangements around responsive repairs.

Our audit considered the following risks relating to the area under review:

- Policies and procedures - Documented policies and procedures for repairs are not in place. Information on the Council's repairs processes, such as timescales, is not communicated to tenants.
- Job recording and allocation - Repairs reported by tenants are not captured in the repairs system which may result in a delay in job completion and ultimately customer dissatisfaction. There is unauthorised expenditure on responsive repairs resulting in financial loss to the Council.
- Value for money- Failure to deliver value for money due to unnecessary or inappropriate repair works being carried out. The use of sub-contractors does not provide value for money.
- Repairs quality - The quality of repair work does not meet the Council's standards which may lead to the failure of delivering value for money and ultimately customer dissatisfaction.
- Performance monitoring and improvements - Reporting does not provide accurate performance information on the key service aspects including target v actual timeframes, right first time, repair costs and quality of repairs work. Where issues are identified these are not addressed. Opportunities to seek improvements are not identified and carried forward to improve the responsive repairs process and overall management of assets, resulting in issues re-occurring.

The objective of our audit was to evaluate the adequacy of key controls and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

The limitations to this audit were that testing was performed on a sample basis and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels	
Level	**Description**
Substantial	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations	
Priority	**Description**
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.
Low	Scope for improvement in governance, risk management and control.

Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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