

Agenda Item 4

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Date	13 th March 2014

Subject	Internal Audit Progress Report: March 2014
<u>RECOMMENDATION</u>	
That the Committee notes the progress against the 2013/14 Audit Plan as detailed in the attached appendix.	

<u>SUMMARY</u>
This is the latest progress report for the 2013/14 audit programme. The purpose of the report is to update Members on progress against the audit plan and report the outcome of final audit reviews to date.

BACKGROUND

1. Internal Audit is a statutory requirement in local government as defined in the Local Government Act 1972. The Accounts and Audit Regulations 2011 (Regulation 6) state that 'A relevant body must maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'
2. The Council has delegated this responsibility to the Strategic Director /Section 151 Officer and appointed Baker Tilly as their Internal Auditors through a joint contract with three neighbouring Local Authorities (Reigate & Banstead BC, Epsom & Ewell BC and Tandridge DC).
3. To enable the Council and the S151 Officer to effectively discharge their responsibilities in relation to the Internal Audit service, the Audit performance is monitored and the Audit Committee assists in the promotion of effective internal control and corporate governance within the Council.
4. The attached progress report shows the outcomes of work completed against the 2013/14 audit plan. The report summarises that work and brings forward any issues for the attention of the Committee.

CORPORATE IMPLICATIONS

Legal Implications – None contained within the report.

Financial Implications - There are no direct financial implications arising from this report.

Risk Implications – Delivery of the Internal Audit Strategy is based upon an analysis of:

- Risk based coverage such as Risk Management, Corporate Governance Reviews and Information Technology (IT) Systems in the Council.
- Addressing specific key risk areas in the Plan
- Follow-up review and management of the Audit Plan

Equalities Implications – None contained within the report.

Employment Issues – None contained within the report.

Sustainability Issues – None contained within the report.

Consultation – None contained within the report.

BACKGROUND PAPERS

- Internal Audit Plan 2013/14
- Strategy for Internal Audit 2012/13-2014/15

Mole Valley District Council

Internal Audit Progress Report

Audit Committee meeting: 13 March 2014

Introduction

The internal audit plan for 2013/14 was approved by the Audit Committee on 12 March 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

Final Reports Issued

We have issued one final report since the last meeting of the Audit Committee:

Assignment <i>Reports considered today are shown in italics</i>	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
Service Desk (18.12/13)	<i>Green</i>	-	1	1
<i>Housing Rents & Temporary Accommodation (1.13/14)</i>	<i>Amber / Green</i>	0	3	2
Journal Testing (2.13/14)	<i>Advisory</i>	-	-	1
Planning (4.13/14)	<i>Green</i>	-	-	1
Tenancy and Welfare Reforms (5.13/14)	<i>Green</i>	-	-	2

Internal Audit Performance

Below we have set out the position against the 2013/14 plan:

Assignment	Start date	Debrief date	Draft report issued	Management responses received	Final report issued
Housing Rents & Temporary Accommodation (1.13/14)	12 Jun 2013	20 Jun 2013	18 Jul 2013	9 December 2014	9 December 2014
Journal Testing (2.13/14)	20 Aug 2013	19 Jul 2013	4 Sept 2013	23 Sept 2013	24 Sept 2013
Town Centre Management (3.13/14)	22 July 2013	2 Aug 2013	6 Sept 2013		
Planning (4.13/14)	10 July 2013	19 Jul 2013	9 Sept 2013	25 Sept 2013	26 Sept 2013
Tenancy and Welfare Reform (5.13/14)	9 July 2013	17 Sept 2013	10 Oct 2013	5 Nov 2013	5 Nov 2013
Housing Benefits & Council Tax Support (6.13/14)	13 February 2014	15 November 2013	2 December 2013		
Revenues (7.13/14)	6 January 2014	22 November 2013	9 December 2013		
Risk Management (8.13/14)	10 December 2013	12 December 2013	17 December 2013		
Data Security (9.13/14)	-	13 December 2013	16 January 2014		

Main Accounting, General Ledger and Reconciliations (10.13/14)	13 January 2014	17 January 2014	27 January 2014		
Project Management- Leatherhead By-Pass (11.13/14)	6 January 2014	15 January 2014	6 February 2014		
Corporate Counter Fraud Arrangements	20 January 2014	Fieldwork Underway			
Waste Collection and Recycling	20 January 2014	Fieldwork Underway			
Capital Accounting and Fixed Assets	10 February 2014	Fieldwork Underway			
Follow Up	10 February 2014	Fieldwork Underway			
Payroll	24 February 2014	Fieldwork Underway			
HR Management	5 March 2014				
Governance	19 Mar 2014				

A further report from 2012/13 remains in draft: Follow up (17.12/13)

Other Matters

Planning and Liaison:

We have met with management to scope the internal audits undertaken.

We have also prepared the Internal Audit Plan for 2014/15.

Change Control:

Action	Date	Agreed By
<u>Journal Testing</u> At the request of management we have utilised the contingency allocation to undertake testing of journal transactions required for External Audit assurance.	August 2013	Phil Mitchell

Information and Briefings: We have issued the following update electronically since the last Audit Committee:

- LGE Update LG eUpdate November 2013
- LGE Update LG eUpdate December 2013
- LGE Update LG eUpdate January 2014

KEY FINDINGS FROM INTERNAL AUDIT WORK AND AGREED ACTIONS

Assignment: Housing Rents & Temporary Accommodation (1.13/14)	Opinion:	
<p>Headline Findings:</p> <ul style="list-style-type: none"> a) Policy and procedure documents are available to Housing Options staff providing guidance on all aspects of their duties. b) Annually, the proposed increase in rents are proposed by the Housing Operations Manager and forwarded to the Executive Committee for approval. Following the approval of increases Atrium is updated. Tenants occupying the properties are informed on all changes. c) Housing Benefit (HB) can be awarded to B&B occupants and also tenants of the Councils temporary Housing Stock. Benefits are awarded following an application for benefits made by the tenant. The amount awarded is credited directly to the tenant's account administered by the Housing Options team. d) Each week the Housing option team informs the Housing Benefits team of any changes to tenancy (e.g. terminated tenancies) so that payments can be altered accordingly. e) The file provided by HB is automatically imported by Atrium and allocated to the different rent accounts. The Export file produced by Atrium cannot be automatically uploaded to the HB Academy system as the format is currently invalid and changes must be performed manually. We have made a low level recommendation to address this. f) Income received for individual rent accounts are automatically posted to Atrium from either Academy (Housing Benefit) or Aim (the cash receipting system). The Housing Benefit postings are reconciled on a weekly basis with the Atrium account and a running total is shared between the Options and Benefit teams. In relation to reconciling AIM, whilst there is a procedure for this to be done on a regular basis, this is not routinely done daily and is only referred to when a client notifies the Council of an error on the rent account. There is consequently a risk that inaccurate postings would not be routinely detected. We have similarly made a low level recommendation to address this. g) It is the Housing Options officers' and Temporary Accommodation Officer's responsibilities to monitor the rent accounts and ensure all arrears from current tenants are appropriately chased and all recovery procedures are adhered to. h) Previously recovery rates were only reviewed on an annual basis. At the start of the financial year it was agreed that these would be subject to greater scrutiny by management and therefore are now included in the one to one meeting between management and Housing Options officers/ Temporary Accommodation Officer every 6 weeks. A report feature has recently been set up which produces recovery data for the department. By filtering the main atrium system on officers name the system is able to produce data for individual officers. This is not a report within the main reporting system Discoverer Viewer, however the Atrium main system allows the same information to be produced. Expenditure mainly relates to maintenance, repairs costs and B&B invoices. Purchase orders are raised by Housing Options Officers and the Temporary Accommodation Officer and approved by management. The Councils creditor payment procedures apply. i) Rent accounts must be written off in line with the constitution of the council. Accounts in arrears, where no further action can be economically pursued, are periodically considered for write off. j) Budgets are set prior to the start of the year and it is a requirement to constantly monitor actual commitment against budgeted expenditure. Budget managers are responsible for updating spend on E-Procurement and can also suggest possible alterations to budgets. Head of Service and the relevant accountant are alerted on all changes to budgets and meetings will be held discuss issues and potential required changes. k) We confirmed the existence of policies and procedures and their availability on a shared drive. We also confirmed that these documents are subject to regular review. l) Although an explicit recommendation was not made within the budget report regarding the fees and charges for 2013/14, their approval is implicit in the approved budget figures. Furthermore, all members received a proposed schedule along with the Budget report, prior to the Executive committee and Scrutiny Committee ensuring that consultation was as wide as possible. 		

- m) For all properties, we confirmed that the rent system (Atrium) had been updated as per the agreed uplift in rates (5%).
- n) We confirmed that current procedures for the recognition of Housing Benefit received were being complied with.
- o) We confirmed that occupants of all temporary housing stock held by MVDC were informed of increases in advance of 2013/14 financial year (February 2012).
- p) From our sample of 15 current tenant accounts in arrears, we confirmed that in all cases the tenant had been informed of outstanding arrears and the Councils intention to collect. We found however, that the time taken to apply action and the content of letters sent to be inconsistent. There are no current procedures in place outlining the timeframe for contact to be made and we have therefore made a recommendation to address this.
- q) We reviewed a sample of 15 former tenant accounts in arrears. We found that, for 8 of 15 accounts a recovery actions file could not be located. From conversation with management we established that the report we used to select our sample was not referred to by officers and therefore some have not been identified as arrears. For 7 of 15 Accounts a recovery file had been set up. We identified significant delays in recovery action taken to recover arrears and have e made a medium level recommendation to address this.
- r) We confirmed that Recovery rates are not monitored by the council in E Series and also monitored internally within the team and used as part of the individuals' officers' one to one meetings with management (6 weekly).
- s) Our sample of 20 invoice payments made in relation to maintenance, repairs costs and B&B invoices confirmed that all 20 were approved by an appropriate manager. During the course of our testing and conversations with management it came to our attention that B&B expenditure had seen a sharp rise. This was in part due to the council having no choice but to accept the rates given by the establishments as they have an obligation to accommodate any person considered homeless. As a response to this the council procurement officer has proposed that the Council collaborate with other councils within the county in order to achieve greater savings. We have formally carried forward this proposal in our recommendations.
- t) We confirmed that write off authorisation was obtained from appropriate personnel. Individual values of accounts considered for write off did not exceed £2000 and therefore no wider consultation was required. We found there to be sufficient backing documentation to demonstrate efforts made to recover debt prior to write off consideration.
- u) A timetable has been distributed to budget managers outlining deadlines for budget projections, authorisation, and submission for approval at Executive meeting. The budgets for BB & Temporary Accommodation have been approved at start of the year. There is no requirement for the budget holder to review the budget until July for the 2013/14, however we confirmed that current spend had been updated on a regular basis. Any suggested changes to budgets had a clearly noted reason for the attention of Head of Service and relevant accountant. When approved the revised budget is forwarded to SMT, Scrutiny & executive committees for approval.

Action	Date	Responsible Officer
<p>Rec 1.1 - Low</p> <p>In order to improve efficiency, reduce the likelihood of human error and automate the interface, the export file produced by Atrium must be configured to meet the format requirements of the Academy Benefits system.</p>	February 2014	Kirsty Jones and Chris Chandler
<p>Rec 2.1 - Low</p> <p>A periodic reconciliation must be introduced to ensure all funds received from the cash receipting system and Academy Benefits system are accurately posted to rent accounts.</p>	January 2014	Kirsty Jones

<p>Rec 3.1 - Medium</p> <p>In respect of current tenants clear procedures must prescribe the timeframe for the escalation of recovery action which must be adhered to. Recovery chase letters must be standardised to ensure consistency and quality.</p>	January 2104	Kirsty Jones
<p>Rec 3.2 - Medium</p> <p>Management oversight through performance review must ensure that Officers are complying with recovery processes for former tenant arrears. An aged debt report from Atrium should be used to profile and prioritise the debt caseload to ensure recovery is systematically progressed.</p>	n/a	n/a
<p>Rec 4.1 - Medium</p> <p>In order to reduce the costs associated with bed and breakfast accommodation the Council must engage with all suppliers and enter into agreements which ensure the authority is receiving favourable tariffs. As already identified by housing management there is potential here for joined up working with other local authority partners within Surrey.</p>	<p>Management comment:</p> <p>This is an issue which needs implementation by a number of external agencies (including children and adult social care) as well as other district and borough authorities both within and outside Surrey. Mole Valley cannot do this in isolation without risking losing the providers that we have due to the supply/demand dynamic in current operation. This could not be pursued by the Housing team if it were felt worth while to do due to the scale of the remit. It is also worth adding that an exercise between housing options managers in Surrey two years ago was undertaken to ensure that we were all paying the same rent charges for bed and breakfast accommodation with shared providers.</p> <p>Audit comment.</p> <p>We are aware that discussions have started to take place with appropriate agencies involved.</p>	

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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