



GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

21 March 2017

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept
no responsibility or liability in respect of this report to any other party.



CONTENTS

1 Introduction.....	2
2 Reports considered at this Audit Committee.....	3
3 Looking ahead.....	7
Other matters.....	8
For further information contact	9

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review 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. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Council which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

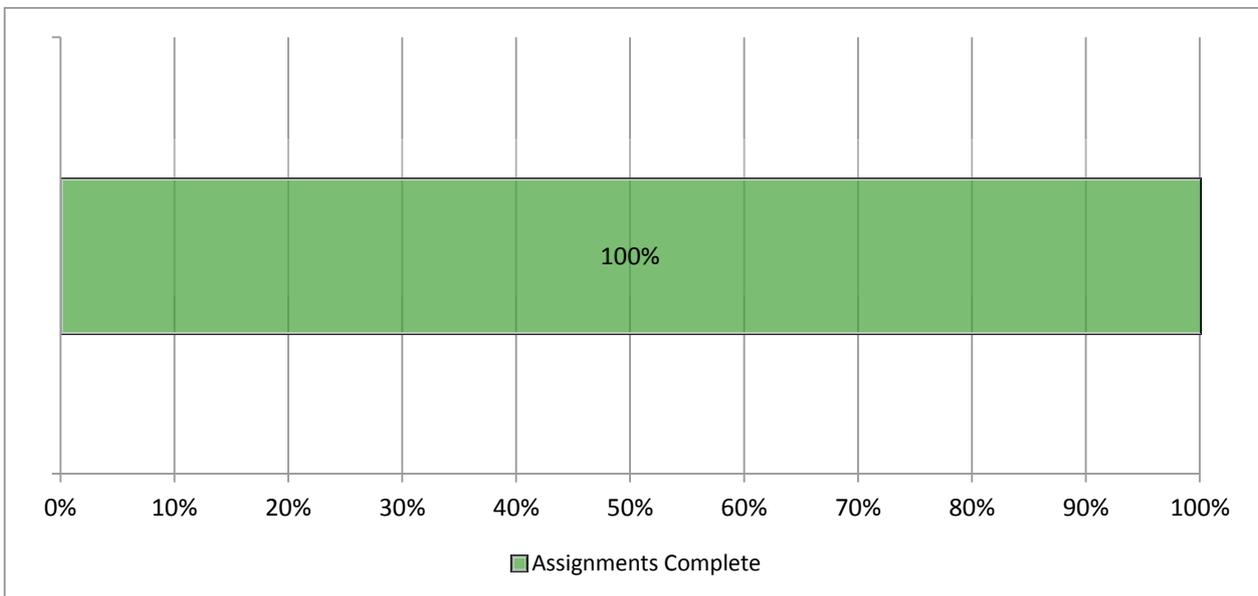
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The internal audit plan 2016/17 was approved by the Audit Committee on 22 March 2016; RSM were allocated a total of seven planned reviews.

This report provides a summary update on progress against the planned reviews and summarises the results of our work to date. Please see chart below for progress against the plan.



2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit Committee. The Executive Summary and Key Findings of the assignments below are attached to this progress report.

Assignment	Status	Opinion issued	Actions agreed		
			L	M	H
Debtors (1.16/17)	Final		6	0	0
Payroll (2.16/17)	Final		1	1	0
Creditors (3.16/17)	Final		2	0	0
NNDR (4.16/17)	Final		1	2	0
Council Tax (5.16/17)	Final		1	2	0
Housing Benefits (6.16/17)	Final		5	1	0

2.1 Impact of findings to date



Debtors (1.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken six low priority findings were identified.

Management actions were agreed in respect of the findings.



Payroll (2.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two findings were identified; one medium and one low priority.

Management actions were agreed in respect of the findings.

The medium finding related to:

- Our testing of new starters identified that photocopies of UK Passports are being retained on file as part of the evidence gathered to confirm an employee's identity, however it was noted that permission was not obtained from the passport holder to do so. This is not consistent with the advice from the National Archives which states provided permission is obtained from the passport holder, a copy may be taken and retained on file.
-



Creditors (3.16/17)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified.

Management actions were agreed in respect of all the findings.



NNDR (4.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken three findings were identified; two medium and one low priority.

Management actions were agreed in respect of all the findings.

The medium findings related to:

- For a sample of 20 void/ empty properties, testing identified that in five cases a void inspection had not been undertaken on a quarterly basis.
 - For the period April to October 2016 testing confirmed that the reconciliations were carried out between 26 and 85 working days after the month end.
-



Council Tax (5.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken three findings were identified; two medium and one low priority.

Management actions were agreed in respect of all the findings.

The medium finding related to:

- The Councils Fair Collection and Debt Recovery Policy was last subject to review in November 2011.
 - For the period July to September 2016, we identified that the reconciliations were carried out on 22 November 2016.
-



Housing Benefit (6.16/17)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken six findings were identified; one medium and five low priority.

Management actions were agreed in respect of all the findings.

The medium finding related to:

- Our sample testing of 12 payment runs processed in the three month period prior to the audit identified that there is currently no segregation between the Team Leader who can process claims and who prepares the payment files for payment, or the member of staff who authorises the payment and sends the BACS file.
-

3 LOOKING AHEAD

Assignment area	Planned commencement date	Status
Financial Management System (7.16.17)	13 February 2017	Draft Report Issued

OTHER MATTERS

3.1 Changes to the audit plan

There have been no changes to the audits assigned to RSM.

3.2 Information and briefings

We have not issued any further briefings.

FOR FURTHER INFORMATION CONTACT

Chris Williams, Head of Internal Audit

chris.williams@rsmuk.com

Tel: 07753 584 993

Amjad Ali, Client Manager

amjad.ali@rsmuk.com

Tel: 07800 617 139

Address:

RSM Risk Assurance Services LLP

Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham NG1 5FS

Phone: 0115 964 4450

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM Employer Services Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

DEBTORS - EXECUTIVE SUMMARY

Introduction

An audit of Debtors was undertaken as part of the approved internal audit periodic plan for 2016/17.

The Council's debtors function is currently under review to assess whether the Council's existing debt collection processes are robust. As part of this review the Council is exploring all viable avenues and options to recover debt including using County Court Judgements (CCJs) as opposed to debt collection agencies.

At present the Civica system is used by the Council for its accounts receivable functions. The system is backed up on a daily basis and backup tapes are kept securely to enable recovery of system data if required.

Individual departments are able to raise invoices on the system based on services provided. Credit notes are processed by the Debtors Team following receipt of an appropriately authorised invoice cancellation form.

Procedures for chasing overdue income are in place and are used by the Team. When invoices remain unpaid, reminder letters and subsequent reminder letters are sent to debtors in line with the procedure. Where a debt has not been recovered following recovery action, debt collection agencies are used by the Council. Bad debts are only written off once all recovery avenues have been exhausted and will be processed and authorised in line with the Council's Financial Regulations.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	6

The detailed findings and associated recommendations are provided in the second part of this report. The main findings are detailed below:

- We noted that the Councils Procedure notes in relation to Sundry Debtors have not been updated since 2012 (*reiterated from last year*).
- Testing a sample of 15 employees with access to the debtors system identified one instance where access to the Civica System had not been suspended during the employee's maternity leave.
- Testing a sample of 15 aged debtors found that in one instance recovery action had not been undertaken promptly.
- From our testing of write offs we found that all write offs had been authorised appropriately but had not been actioned/written off on the system until a month after the authorisation.
- Review of the monthly account receivable to the general ledger reconciliations found that they had not been completed and reviewed in a timely manner for April, June and July 2016 (*reiterated from last year*).

- The Council has no specific KPI's in terms of debtor performance (*reiterated from last year*).

Follow Up

Three low recommendations were raised as part of the 2015/16 Debtors audit. None of the three recommendations have been implemented and these have been reiterated in this report; these are:

- Ensuring Sundry Debtor Administration procedures notes are reviewed and maintained up to date;
- Ensuring that reconciliations are prepared and reviewed in a timely manner following the month end; and
- Identifying and introducing KPI's in terms of debtor performance

Assurance Statement

Internal Audit can provide **Substantial Assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to ensure that all income due to the Council is recorded in the accounting system and that controls are in place to monitor and reduce levels of outstanding debt.

The control areas included within the scope of the review are:

- Procedural documentation and training
- Compliance with Financial Regulations and internal procedures
- Access to the accounts receivable system and system back-ups
- Staff training
- Processing of invoice request forms and raising of invoices
- Creation of debtor accounts
- Allocation of associated payments and updating of the debtor accounts
- Debt recovery actions and issue of reminders
- Identification and Approval of monies for write off
- Updating of debtor accounts
- Reporting and reconciliations
- Accounting for debt and reporting
- Month end reconciliations
- Reporting to Finance Committee / Board

The following limitations to scope of the audit were agreed when planning the audit:

- Our work will not provide assurance that the organisation has identified all debts / monies owed to it
- We will not consider the suitability of wording used in credit control letters;
- We will not consider the effectiveness of credit control actions taken, only whether actions have been taken
- We will not consider the procedures or performance of any third party debt management contractors used
- We will not substantively re-perform reconciliations
- Testing will be completed on a sample basis from transactions within the current financial year
- Our work does not provide absolute assurance that material error; loss or fraud does not exist.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the Authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

PAYROLL - EXECUTIVE SUMMARY

1.1 Background

We carried out an audit of Payroll processing as part of the agreed internal audit plan for 2016-17.

The Council's payroll is managed using the 'Resource Link' System provided by Northgate, which has been in place for a number of years. 'Resource Link' is an integrated system, including both a Human Resources and a Payroll module. Standard forms have been developed for use by staff members, including new starter and leaver forms. The majority of the Council's employees have access to 'My View', providing electronic access to payslips and allowing amendments to personal details to be processed as and when required. Segregation of duties is maintained, with forms authorised by an appropriate officer prior to arrival in the Payroll function and data input onto the Payroll System reviewed by an independent officer. In addition, full details of all new starters and leavers is provided by the Personnel Manager and payroll processing staff take no part in the personnel function. The average number of employees processed each month is 639.

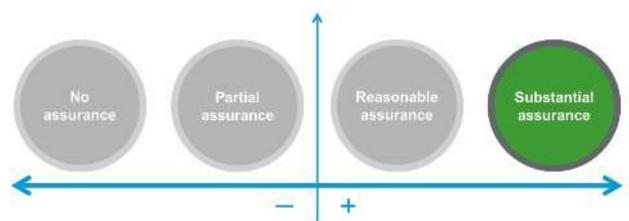
The Payroll function is overseen by the Senior Assistant Accountant (Exchequer Management) with the day-to-day processing carried out by the Assistant Accountant (Payroll Management) and the Payroll Assistant.

1.2 Conclusion

Our audit testing confirmed that an established procedure is in place which results in accurate and timely payroll processing. Our testing of payroll outputs, including exception reports and BACS authorisations confirmed that there is an appropriate review process that ensures segregation of duties and independent authorisation of the completed payroll. We have raised two management actions as a result of this review, with one action being 'Medium' priority and the other; 'Low' priority.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Access to the Northgate Payroll & HR system is restricted by password to authorised personnel only;
- A Payroll processing timetable is in place which sets out when each payroll should be paid and the key processing dates which must be achieved in order to meet the target date;
- A payroll checklist has been established documenting key tasks to be completed during each payroll run;
- Payslips are no longer printed and staff use the self-serve facility to view their payslips on-line;
- The Council has appropriate policies and procedures in place to manage all elements of payroll operations; and

- An exception report is produced each month which identifies any variances in the current payroll, compared to the previous month. All variances are investigated and explained. If necessary, a correction is made prior to the BACS payments being processed.

However, we identified the following control weaknesses and as a result, we have raised one 'Medium' and one 'Low' priority management actions:

- When testing new starter's payroll files to confirm that all required data was present, we also noticed that photocopies of UK Passports are being retained on file as part of the evidence gathered to confirm an employee's identity, however permission was not obtained from the passport holder before a copy of the passport was obtained for the file.
- Our audit testing identified a small number of new starter and leavers notification forms that were signed and authorised but we not dated by the authorising officer.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and Procedures	0 (6)	0 (6)	0	0	0
Starters and Leavers	0 (6)	2 (6)	1	1	0
Amendments and Deductions	0 (6)	0 (6)	0	0	0
Payment process and management information reporting.	0 (10)	0 (10)	0	0	0
Total			1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Starters and Leavers					
1	Our testing of new starters identified that photocopies of UK Passports are being retained on file as part of the evidence gathered to confirm an employee's identity, however it was noted that permission was not obtained from the passport holder to do so. This is not consistent with the advice from the National Archives which states provided permission is obtained from the passport holder, a copy may be taken and retained on file.	Medium	We will make mention somewhere in the most appropriate letter used at the point of recruitment that we will retain copies of documents (including passports) as a method of confirming identity unless the new starter expressly asks that this is not done (in which case we will make of a note of the number and the issue date).	31 March 2017	Service Manager – Organisational Development

CREDITORS - EXECUTIVE SUMMARY

1.1 Background

An audit of Creditors was undertaken as part of the periodic plan for 2016/17.

The Council uses the Agresso System to process supplier orders and associated payment transactions. This system was upgraded in February 2016 to version Agresso, Milestone 5 with all existing data migrated to the new version.

An authority structure of delegated levels is held within the Milestone 5 Agresso system which details the entire processing and approvals hierarchy. This ensures that each stage of the procurement process, including the authorisation of purchase orders and supplier invoices is independently reviewed and approved by line managers and budget holders acting in accordance with their delegated authority.

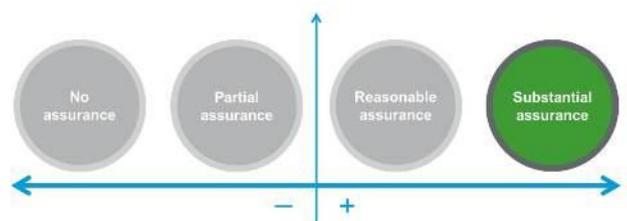
A payment run takes place three times a week with suppliers paid either via BACS or via cheque. As part of the payment run process the creditors' sub-ledger and the General Ledger are reconciled. At the time of the audit, in November 2016, the Council had raised 2,385 purchase orders from April 2016 with a total value of £5,188,911.11.

1.2 Conclusion

Our review identified that the systems and controls in place are adequate for the ordering, receipt and payment of goods. However, we have identified two areas for improvement which require management attention, resulting in two 'low' priority management actions being raised.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the Council relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

From the discussions held with key staff in conjunction with sample testing, we found many of the controls upon which the Council rely to manage the risk are suitably designed, consistently applied and are operating effectively. These include:

- Financial Regulations and specific procedural guides are in place and are maintained up to date. The documents are available to all relevant members of staff;
- An electronic authorised signatory list is in place which is maintained up to date;
- All staff within the accounts payable department have had training on how to use the Milestone 5 Agresso System;
- Testing a sample of 15 BACS payments found that all were completed appropriately and authorised with no discrepancies identified;

- Testing a sample of 15 cheque payments found that all were appropriately approved for payment;
- Testing a sample of 15 new suppliers found that in all instances the new supplier was set up appropriately and all supporting documentation was on file;
- Testing a sample of 15 supplier bank changes found that in all instances there was supporting documentation on file to evidence the change; and
- Performance indicators are in place for the monitoring of creditor payments made within 30 day and 10 days.96.68% of invoices were paid within 10 days between July 2016 to September 2016 and for the same period 99.27% of invoices were paid within 30 days

However, we identified weaknesses and as a result, we have raised two 'low' priority management actions, which are agreed with management:

- Testing a sample of 20 paid invoices found that in one instance the purchase order had not been raised in line with the Financial Regulations as the purchase order was raised retrospectively. By not raising purchase orders in line with the Financial Regulations there is a risk that the Council is committed to unauthorised expenditure.
- Testing a sample of 20 paid invoices (17 purchase orders and three non-purchase orders) found that in eight out of 17 instances good were received after the invoice had been received. By not acknowledging the good received promptly there is a risk that invoices are being paid before the goods have been received.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and Procedures	0 (5)	0 (5)	0	0	0
Purchasing and Payments	0 (11)	2 (11)	2	0	0
Management reporting	0 (3)	0 (3)	0	0	0
Total			2	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

NNDR - EXECUTIVE SUMMARY

1.1 Background

An audit of National Non Domestic Rates (NNDR) was completed as part of the approved internal audit plan for 2016/17.

The Local Taxation team are responsible for the administration of all hereditaments eligible to pay NNDR in the Borough. The team use the Civica system to maintain customer accounts, payments history and for the retention of all electronic documentation relating to an account. Recovery is undertaken on a regular basis and accounts failing to pay will be subject to the Council's recovery procedures. Debts which remain unpaid and irrecoverable will be subject to write off in accordance with the Council's write off authorisation process.

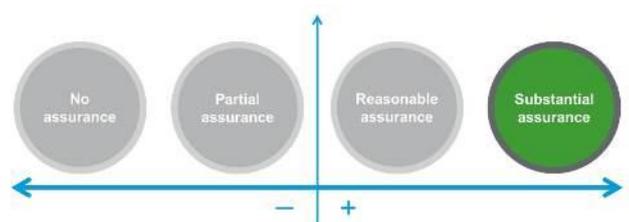
The estimated NNDR value to be collected for 2016/17 equates to £22.5million. Performance against the estimated collection target is monitored on a monthly basis and as of the end of September 2016 the Council had collected £13million (56.16%) of the current financial year's liability, which is in line with target. The overall target for the current financial year is to have collected 98.9%.

1.2 Conclusion

Our overall opinion was formed by undertaking interviews with key staff, analysing the control framework and sample testing on the Council's processes in place to ensure accurate and timely billing and collection of NNDR. We identified three instances where controls were not being complied in relation to void properties, segregation of duties and reconciliations. As a result, we have agreed three management actions, two medium priority and one low priority actions to help mitigate the risks associated with the control weaknesses identified.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Comprehensive procedure notes are provided for all NNDR staff. These are subject to periodic review to ensure that they remain up to date.

Access to the Civica system is restricted to key personnel. The system is password controlled and staff are prompted to change their passwords on a quarterly basis.

Information is passed from the planning system to NNDR section identifying all new non domestic building applications. This is then recorded onto the system to enable the team to monitor the progress with the building works and when to commence charging business rates.

Annual billing takes place before 14th March each year to allow sufficient notice for the first instalment to fall due on 1st April. At annual billing a sample of bills are checked to confirm that they are appropriate, prior to being issued.

NNDR income is accurately recorded by the cash office and posted to the correct individual account on a daily basis. Online payments, bank payments, debit card payments are also posted to the correct account on a daily basis. Twice daily, files containing all NNDR payments received are extracted from the Income system and imported into Civica. A three-way reconciliation is performed to ensure that the value received within the income system corresponds to the total of that imported into Civica, and then this also balances to the total of posting to NNDR accounts and into suspense.

However, we have agreed two medium and one low priority management actions pertaining to the application and compliance with control framework:

Through testing we found five instances where void inspections had not taken place in line with the documented inspection schedule to identify where charges may be applicable, the Council's exposure to financial loss is increased.

Staff with access to the Civica system are required to complete a declaration of interests each year. Testing found one instance where a staff member had not signed the declaration. Without doing so, there is an increased risk of fraud occurring as a result of inappropriate activity on liable accounts.

Reconciliations between April and October 2016 were carried out between 26 and 85 working days after the month end. Such a delay in the preparation of reconciliations increases the risk that that errors may not be identified and resolved on a timely basis, which could result in financial loss.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and Procedures	0 (3)	0 (3)	0	0	0
Identification of New Properties /Businesses	0 (3)	0 (3)	0	0	0
Void Properties	0 (1)	1 (1)	0	1	0
Billing Methods and Payment Collection	0 (4)	0 (4)	0	0	0
Posting of Payments	0 (1)	0 (1)	0	0	0
Recovery and write offs	0 (3)	0 (3)	0	0	0
Suspense Accounts	0 (1)	0 (1)	0	0	0
Access to Property Database	0 (1)	0 (1)	0	0	0
Refunds for overpayments and adjustments	0 (1)	0 (1)	0	0	0
Segregation of duties	0 (2)	1 (2)	1	0	0
Reconciliations	0 (5)	1 (5)	0	1	0
Management reports	0 (2)	0 (2)	0	0	0
Total	0	3	1	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Void Properties					
1	For a sample of 20 void/empty properties, testing identified that in five cases a void inspection had not been undertaken on a quarterly basis. Where void inspections are not undertaken, the Council may not be able to identify if the properties have been occupied resulting in a loss of income for the Council.	Medium	The delay with the void inspections was due to the Local Inspector being on long term sick. The Local Inspector is currently on a phased return to work and inspections will be carried as required.	31 March 2017	Service Manager Revenues
Area: Reconciliations					
3	For the period April to October 2016 testing confirmed that the reconciliations were carried out between 26 and 85 working days after the month end. There is a risk the where reconciliations are not undertaken on a timely basis that errors may not be identified and resolved on a timely basis.	Medium	Each month the reconciliation of the cash received values on Civica and the cash receipting values on the Financial Management System (Agresso) will be undertaken soon after the month end.	31 December 2016	Service Manager Revenue

COUNCIL TAX - EXECUTIVE SUMMARY

1.1 Background

An audit of Council Tax was undertaken as part of the approved internal audit periodic plan for 2016/17.

The Council Tax team are responsible for the administration of all properties eligible to pay Council Tax in the Borough. The functions of the team include billing, collection and recovery of Council Tax. The department uses the Civica system to record revenues and benefits transactions. A workflow system is also utilised

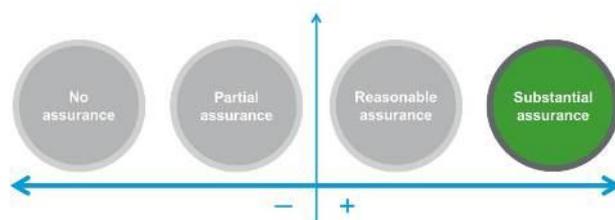
At the time of the audit, there were circa 52,500 properties within the borough subject to a Council Tax charge. The estimated Council Tax to be collected for 2016/17 equates to £62million. Performance against the estimated collection target is monitored on a monthly basis and as of the end of September 2016 the Council had collected £35million (56.58%) of the current financial year's liability which is in line with target. The overall target for the current financial year is to have collected 98.50%.

1.2 Conclusion

Our overall opinion was formed by undertaking interviews with key staff, analysing the effectiveness of the control framework and sample testing on the Council's processes in place to ensure accurate and timely billing and collection of Council Tax. We identified three instances where controls were not being complied in relation to policies and procedures, new accounts and identifying liability and reconciliations. As a result, we have agreed three management actions, two medium priority and one low priority, to mitigate the risks associated with the control weaknesses identified.

Internal Audit Opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Procedure notes are in place for all day to day processes undertaken by the Revenues team with regards to Council Tax. These are subject to periodic review and are available to all relevant members of staff.

Members of staff who reside in the Borough do not have access to view or amend their own accounts. In addition, access to accounts in which the employee declares an interest is blocked in the system for each employee.

On a weekly basis, a Council Tax property band report from Civica is produced and reconciled to the Valuation Office (VO) schedule (received by email). All amendments notified by the VOA are actioned in Civica.

Discounts, disregards and exemptions are applied to properties based on the receipt of relevant application / supporting evidence. Discounts are subject to review on a regular basis to confirm that the person remains eligible to receive the discount. All empty properties liable for Council Tax are inspected at least three times a year by the Local Tax Inspector.

Annual billing takes place before 14th March each year to allow sufficient notice for the first instalment to fall due on 1st April. Demand Notices are issued in a standard format and detail all relevant information as required by legislation.

However, we have agreed two medium and one low priority management actions pertaining to the application and compliance with control framework:

The Councils Fair Collection and Debt Recovery Policy has not been subject to review in the last five years. Any changes in processes or legislation will not be captured within this policy and as a result incorrect recovery processes may be followed.

New accounts and any work item are set up on the system within 14 days of liability being identified. Through testing, we identified a number of instances where work flow items had not been dealt with within this target. As a result, this increases the risk that liabilities are not being identified and actioned in a timely manner, subsequently increasing the Council's exposure to incurring financial loss.

For the period July to September 2016, we identified that all reconciliations were carried out on 22 November 2016. Without preparing reconciliations in a timely manner, there is a risk that errors may not be identified and resolved on a timely basis.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Policies and procedures	0 (4)	1 (4)	0	1	0
New accounts and identifying liability	0 (3)	1 (3)	1	0	0
Banding rates	0 (3)	0 (3)	0	0	0
Voids, discounts and exemptions	0 (1)	0 (1)	0	0	0
Billing and payments	0 (11)	0 (11)	0	0	0
Reconciliations	0 (3)	1 (3)	0	1	0
Management reporting	0 (1)	0 (1)	0	0	0
Total			1	2	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Policies and procedures					
1	The Councils Fair Collection and Debt Recovery Policy was last subject to review in November 2011. As such, it may not be relied upon to provide the most up to date guidance on the recovery processes.	Medium	The Fair Collection and Debt Recovery Policy will be reviewed and updated next year.	30 June 2017	Service Manager Revenues
Area: Reconciliations					
3	For the period July to September 2016, we identified that the reconciliations were carried out on 22 November 2016. There is a risk the where reconciliations are not undertaken on a timely basis, errors may not be identified and resolved on a timely basis	Medium	Each month the reconciliation of the cash received values on Civica and the cash receipting values on the Financial Management System (Agresso) will be undertaken soon after the month end.	31 December 2016	Service Manager Revenues

HOUSING BENEFITS - EXECUTIVE SUMMARY

1.1 Background

An audit of Housing Benefits was undertaken as part of the approved internal audit periodic plan for 2016/17. This review is undertaken annually with the objective of ensuring that benefits are processed on an accurate and timely basis, leading to accurate payments made to claimants.

Housing benefits are in place to help low income families cover their rent and are paid monthly, usually directly to the claimant. Gedling Borough Council has received 1,456 new claims since April 2016 and currently has a total of 5,904 active claims. The Council uses the Civica system to process and manage claims.

The Council is increasingly receiving its new claim applications electronically through a form on the website which automatically populates Civica. Supporting documentation is then obtained from the applicant, such as proof of income, and are assessed for eligibility by the Housing Benefits team. New claims are selected randomly by Civica to undergo a quality review process. Changes in circumstances are notified to the Council in a number of ways, including data sharing with other government bodies, and updated on Civica.

Overpayments are identified each month, and recovered through an existing benefit payment where possible, or else referred to the Councils Sundry Debtor team for recovery or eventual write off.

Key Performance Indicators (KPIs) are monitored on a monthly and quarterly basis, such as average time taken to process a new claim, which was 13 days as at Q3 against a target of 12 days, and the average time taken to process a change in circumstances. Q3 performance was four days, which is in line with target.

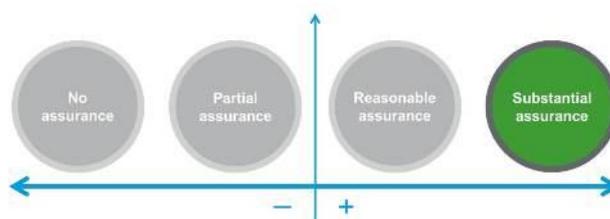
1.2 Conclusion

Following sample testing of transactions undertaken in the last three months, interviews with staff and system walkthroughs, we have identified one medium and five low priority findings, and management have provided a rectifying action for each. All six findings relate to weaknesses or inconsistent application of the existing control framework.

The medium priority finding relates to a lack of segregation of duties in the benefits payment process. This was identified during the 2015/16 audit of Housing Benefits, but sample testing identified that the action agreed at that time had yet to be implemented.

Internal audit opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified risks are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Policies and procedures are in place to support the key processes undertaken by the Housing Benefits team. These are up to date, reflect actual practice and are readily available to all staff and the public. Training is provided to Housing Benefits staff when new legislation or changes to benefit rules are released.

Access to Civica is restricted to those staff with a business need, and sample testing of 15 current users confirmed all were still in employment within the Council. Declarations of interest are completed each year by all staff with a Civica account, and any accounts in which an interest was declared (including their own) is blocked. Review of the same sample of 15 Civica accounts found a declaration of interest had been completed by 14 for 2016/17, with the remaining being on long term absence at the time of the 2016/17 declarations being completed.

A Civica walk through confirmed that the 2016/17 benefit parameters had been correctly applied.

Sample testing of 15 new claims awarded in the last three months confirmed that all had been processed in line with policy and had the appropriate supporting evidence on file. We also tested a sample of 15 changes in applicants' circumstances and confirmed all had been processed accurately and in a timely manner.

Testing of a sample of 15 Discretionary Housing Payments awarded in 2016/17 found that all had been awarded in line with the Councils policy, and had been paid at the approved value.

We confirmed that each member of the Benefits team has a set percentage of their claims quality reviewed by the Technical Officer. The results of this feed in to each Officers development and annual performance review.

Testing of a sample of 15 overpayments which could not be recovered and had therefore been written off, confirmed that all had been written off in Civica after the required approval had been received.

Sample testing of the last five months confirmed that a reconciliation is performed each month between Civica, the Council Tax module of Civica, and the Councils general ledger. All reconciliations were subject to independent review, and evidence of the investigation of discrepancies was on file. We also tested all 12 Housing Benefit payment runs performed in the last three months, and confirmed that all pre-payment values corresponded to those uploaded to the BACS system and then ultimately paid. We have raised a medium priority finding with regards the lack of segregation of duties within the payment process, as currently, the same member of staff is responsible for the whole process, and no independent checks or authorisations are required.

KPIs are monitored both on a monthly and quarterly basis, which are reported to the Service Manager - Revenues and Welfare Support and to the Senior Leadership Team, and also through Covalent. The Housing and Welfare Support Manager also attends Nottinghamshire Local Authority Benefits Managers meetings to discuss changes in policy and to compare working practices and performance.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Failure to comply with legislation, policies and procedures.	0	(8)	2	(8)	2	0	0
Benefit claims are not processed promptly and accurately.	0	(10)	4	(10)	3	1	0
Total	5	1	0				

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

1.5 Progress made with previous audit findings

Date of previous audit	Low	Medium	High
Number of actions agreed during previous audit	4	2	0
Number of actions implemented/ superseded	4	1	0
Actions not yet fully implemented:	0	1	0

As part of this review, Gedling Borough Council has demonstrated good progress in implementing agreed actions made within the 2015/16 audit of Housing Benefits. Of the two “medium” and four “low” priority recommendations raised, were confirmed that five had been implemented. The recommendation which had yet to be implemented, relating to the segregation of duties in the payment process, has therefore been re-raised within this report.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Benefit claims are not processed promptly and accurately.								
5	<p>The main Benefits run is paid every four weeks, with a smaller payment run made every week to bring new claimants in line with the general schedule.</p> <p>Pre-payment reports are produced which are reconciled to the payment authorisation report, and the BACS payment submission.</p>	Yes	Yes	<p>Our sample testing of 12 payment runs processed in the three month period prior to the audit identified that there is currently no segregation between the Team Leader who can process claims and who prepares the payment files for payment, or the member of staff who authorises the payment and sends the BACS file.</p> <p>Whilst our testing did not identify any errors or anomalies within the payments process without having this secondary review and authorisation of the payments due to be made, there is a risk that fraudulent or inappropriate payments are made which are not identified.</p>	Medium	We will introduce a secondary review and approval of the Housing Benefits payment run, which will ensure that the value expected has been paid.	31 March 2017	Housing and Welfare Support Manager