



GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

24 July 2018

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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.

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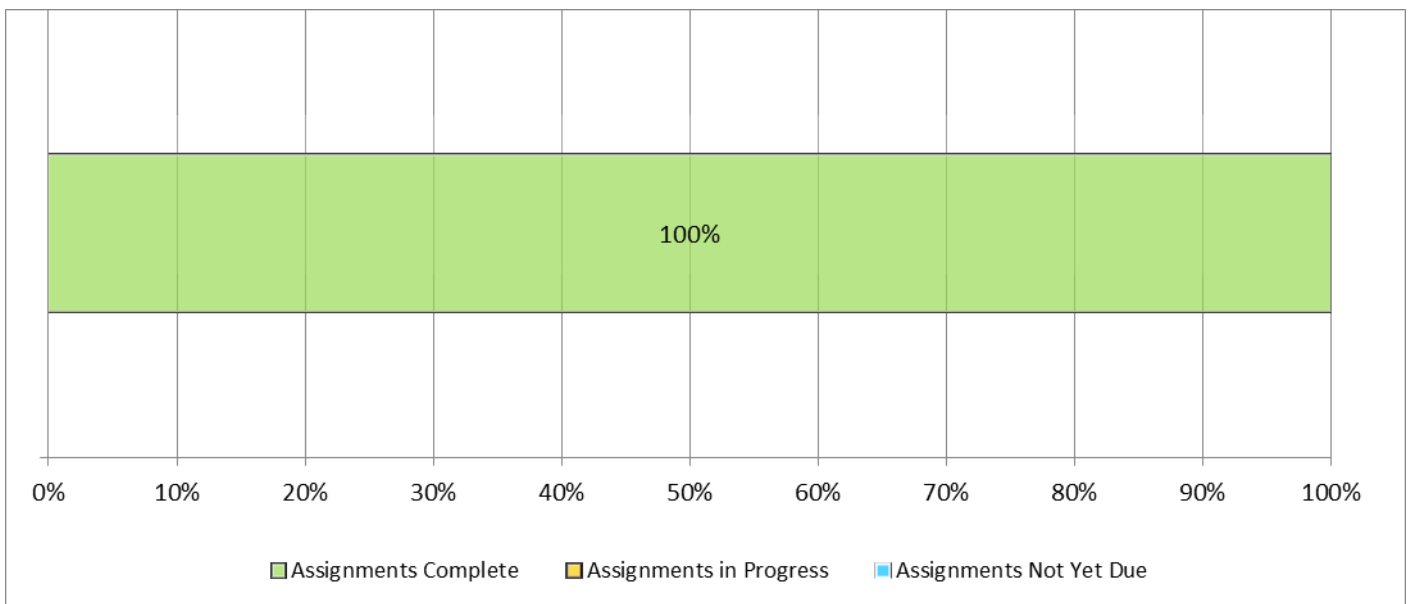
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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 2017/18 was approved by the Audit Committee on 21 March 2017 and comprised a total of twenty-five 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.







All planned internal audit reviews have been undertaken and finalised.

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		
			H	M	L
Council Tax and NNDR (18.17/18)	Final		0	3	4
Treasury Management (22.17/18)	Final		0	0	1
Housing Needs (23.17/18)	Final		0	2	3
Follow Up Part 2 (24.17/18)	Final	Good Progress	0	0	4
Risk Management (25.17/18)	Final		0	0	0

2.1 Impact of findings to date



Council Tax and NNDR (18.17/18)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, three medium and four low priority findings were identified, and management actions were agreed for the findings.

The medium findings relate to:

- New Council Tax accounts should be set up within the revenues system in a timely manner, with demand notices then issued to new liable parties. However, periods of up to 72 working days were identified between notification and records being updated.
- For a sample of 15 refunds testing identified that four of the refunds were approved as part of the payments batch by the Client Officer. The total value of the batch was £532,192.62; however, the Client Officer has no budget holder authority.
- Void properties should be inspected on a regular basis to ensure that liable parties are promptly identified and contacted. Testing identified that inspections were conducted irregularly due to staff sickness during the year prior to audit.



Treasury Management (22.17/18)

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken one low priority finding was identified, and a management action was agreed for the finding.



Housing Needs (23.17/18)

Conclusion: Reasonable Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken two medium and three low priority findings were identified, and management actions were agreed for all findings.

The medium findings relate to:

- Through testing of a sample of 15 individuals placed into emergency housing in the current financial year, it was confirmed that in three instances, there was no Final Offer Letter retained; and in five instances, there was either no Housing Options Assessment retained, or there was no signed copy from the homeless individual.
- Through testing of a sample of 15 people placed into emergency housing in the current financial year, it was confirmed that in three instances, there was no evidence to confirm that the individual had been assessed against the five assessment criteria.



Follow Up Part 2 (24.17/18)

Conclusion: Good Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, four low priority findings were identified, and management actions were agreed for all findings.



Risk Management (25.17/18)

Conclusion: Reasonable Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken, no findings were identified.

3 LOOKING AHEAD







All audits have been delivered for the year 2017/18.

3.1 Changes to the audit plan

There have been no changes to the audit plan since the previous Audit Committee meeting.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Report previously seen by the Audit Committee and included for information purposes only:

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Follow Up 1 (1.17/18)	Final	Reasonable Progress	0	1	4
Geographic Information Systems, Land Charges, Street Naming and Numbering (2.17/18)	Final		0	0	3
Corporate Governance (3.17/18)	Final		0	0	0
Ethical Phishing Campaign (4.17/18)	Final	Advisory	A simulated phishing campaign to assess the level of user awareness in respect of current cyber risks was undertaken.		
Cash and Banking (5.17/18)	Final		0	1	3
S106 Agreements and Community Infrastructure Levy (6.17/18)	Final		0	0	0
Creditors and e-Procurement (7.17/18)	Final		0	0	2
Car Parks (8.17/18)	Final		0	1	1

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Housing Benefits and Council Tax Reduction Scheme (9.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (yellow), and Substantial assurance (grey). The yellow circle is highlighted.</p>	1	0	1
Events Management (10.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). The green circle is highlighted.</p>	0	0	1
Organisational Development (11.17/18)	Final	Advisory Review	n/a	n/a	n/a
Enforcement (12.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). The green circle is highlighted.</p>	0	0	2
Payroll (13.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). The green circle is highlighted.</p>	0	0	0
Contract Management (14.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (yellow), and Substantial assurance (grey). The yellow circle is highlighted.</p>	0	1	3
Debtors and Debt Recovery (15.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). The green circle is highlighted.</p>	0	1	2
Partnership and Voluntary Sector Grant Aid (16.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (yellow), and Substantial assurance (grey). The yellow circle is highlighted.</p>	0	1	4
Main Accounting System (17.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). The green circle is highlighted.</p>	0	0	1
Capital Accounting and Asset Register (20.17/18)	Final	<p>A scale from - to + with four circles: No assurance (grey), Partial assurance (grey), Reasonable assurance (grey), and Substantial assurance (green). The green circle is highlighted.</p>	0	0	2

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Budgetary Control and Setting (21.17/18)	Final		0	0	0

FOR FURTHER INFORMATION CONTACT

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COUNCIL TAX AND NNDR - EXECUTIVE SUMMARY

1.1 Background

An audit of Council Tax and National Non-Domestic Rates (NNDR) was undertaken as part of the approved internal audit periodic plan for 2017/18.

Council Tax is a local taxation system used in England, Scotland and Wales, introduced by the Local Government Finance Act 1992. The Local Government Finance Act 1988 provided an administrative framework for assessing and billing NNDR.

The Valuation Office Agency (VOA) is an executive agency of HM Revenue & Customs (HMRC) and provides the Government with valuations and property advice required for taxation and benefits. The VOA compiles and maintains lists of Council tax bands and details the rateable value of non-domestic properties for business rates. Changes to these bands and values are notified by collecting authorities such as the Council on an ongoing basis for them to action.

The Council serves as a billing authority for Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner, the Combined Fire Authority and eleven parish councils. During financial year 2016/17, the Council collected £62m of Council Tax, with £5.5m retained for its own services. This represented collection of 98.4 per cent of Council Tax due for the year.

Of the £22m of NNDR collected by the Council during 2016/17, £3m was retained for its own services, with the balance apportioned to Central Government, Nottinghamshire County Council and the Combined Fire Authority. The Council successfully collected 98.7 per cent of business rates due for the period.

The Council Tax base and rates for the year ending 31 March 2018 were ratified by the Council at its meeting on 1 March 2017. Non-domestic rating multipliers for the year issued by the VOA had been applied to the Council's revenues system.

£48,349.70 was written off for Council Tax during the year to audit (December 2017) and write offs from the year to audit for NNDR totalled £8,158.03.

1.2 Conclusion

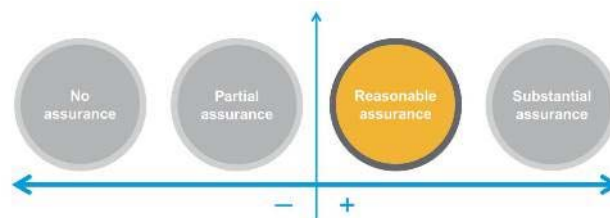
Our testing confirmed that robust controls are in place for managing liable parties and the debt collection cycle for both Council Tax and NNDR. However, weaknesses were identified in identifying liable parties through inspection of void properties due to resource limitations. Further, delays in reviewing reconciliations were also identified, which could give rise to long standing variances failing to be addressed.

We have agreed seven management actions, comprising **three medium** and **four low** priority. The medium priority actions relate to the void property inspection cycle, annual review of exemptions applied to Council Tax accounts and authorisation of NNDR refund batch payments.

Internal audit opinion:

Taking account of the issues identified, the Council can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



1.3 Key findings

The key findings from this review are as follows:

- Procedural documents have been developed for key processes and are updated on an on-going basis to ensure currency.
- Council Tax base and rates for the period to 31 March 2018 were approved by Cabinet on 16 February 2017 and by the Council on 1 March 2017. The Council's revenues system parameters have been updated to reflect both approved Council Tax rates and the non-domestic rate multipliers set by the Valuation Office Agency (VOA).
- Demand notices were issued to all liable parties for NNDR and Council Tax in March 2017, with reconciliations completed by the Revenues Manager to confirm the accuracy of volume and value.

Council Tax

- Staff complete annual declarations, detailing any conflicts of interest within the Borough. Access to the accounts of these conflicts was subsequently restricted within the revenues system.
- Changes in circumstance are processed within 14 working days, with all documentation centrally retained.
- Discounts applied to Council Tax accounts are evidenced within the revenues system and are reviewed on an annual basis.
- Council Tax is recovered in line with the debt recovery timetable, including the timeliness of issuing reminders, final demands and court summonses.
- Write offs are approved in line with delegated authorisation limits. Justification for write offs was maintained.
- Refunds are reviewed and approved prior to payment, demonstrating suitable segregation of duties. Updated demand notices are subsequently issued to liable parties.

National Non-Domestic Rate (NNDR)

- Changes in circumstances are evidenced in the revenues system and processed in a timely manner following notification.
- Exemptions are granted on receipt of adequate supporting documentation and are reviewed on an annual basis.
- Mandatory and discretionary reliefs are assessed for non-domestic accounts. Applications and decisions are uploaded to the revenues system. Demand notices were issued to liable parties following decisions.

- The debt recovery timetable was followed for business rates, with demand notices, reminders and court summonses issued to liable parties documented in Civica.
- Authorisation limits are adhered to for write offs. Evidence is retained for all write offs, including for justification and approval.
- NNDR outturns for 2016/17 were submitted to the Department for Communities and Local Government. All submitted returns were signed by the Deputy Chief Executive and Finance Director.

However, the following weaknesses were identified as part of our testing:

- The Fair Collection and Debt Recovery Policy provides guidance to staff, members and customers for the payment and collection of Council Tax and non-domestic rates. The policy was most recently updated in November 2011 and therefore may not reflect current practice.
- Testing identified delays in the timeliness of reconciliation between VOA schedules of changes and the Council's revenues system, which could result in increased liabilities or overpayments for customers.
- Void properties should be inspected on a regular basis to ensure that liable parties are promptly identified and contacted. Testing identified that inspections were conducted irregularly due to staff sickness during the year prior to audit.
- Testing identified that monthly cash and refund reconciliation reviews are not conducted in a timely manner, which could lead to prolonged issues for unidentified variances.
- New Council Tax accounts should be set up within the revenues system in a timely manner, with demand notices then issued to new liable parties. However, periods of up to 72 working days were identified between notification and records being updated.
- Evidence for applied Council Tax exemptions was maintained within Civica. Through testing it was established that exemptions are not consistently reviewed each year, with the risk that ineligible exemptions will be applied to accounts.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

A number of management actions relate to multiple findings to reduce duplication.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
	Low	Medium	High	Low	Medium	High	
Incorrect / inefficient council tax billing procedures (Risk Ref: MH74)	0	(16)	6	(16)	4	2	0
Incorrect / inefficient business rate billing procedures (Risk Ref: MH75)	0	(13)	4	(13)	0	1	0
Total	4	3	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	2	3	0
Number of actions implemented/ superseded	1	0	0
Actions not yet fully implemented:	1	3	0

As part of this review, Gedling Borough Council has demonstrated **poor progress** in implementing agreed actions made within the **05.16/17 Council Tax** and **01.17/18 Follow Up** audit reports. Of the three medium and two low priority agreed management actions followed up, we confirmed that one has been implemented in full and the remaining four have not been implemented.

The management actions still in progress relate to update of the Fair Collection and Debt Recovery Policy, processing of new Council tax accounts within 14 working days and the timely review of NNDR and Council tax reconciliations. Updated management actions have been agreed and are detailed within section two of 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 regulatory scrutiny/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, regulatory scrutiny, 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: Incorrect / inefficient council tax billing procedures (Risk Ref: MH74)								
3	New accounts are set up with 14 working days of a liability being identified. Demand notices are issued within 24 hours of a liability being processed.	Yes	No	A sample of 15 new Council Tax accounts was selected to confirm timely processing within the Civica system. In three cases, we were unable to locate new properties within the system as these had not been added to Civica. Therefore, these had not been processed in a timely manner. A further two accounts had not been updated to reflect new use for properties. Of the ten accounts updated, six had been processed within 14 days. However, one account was amended 28 days after notification of a change was received, two were updated within	Medium	New Council Tax accounts will be set up in Civica within 14 days of notification being received, ensuring that liable parties can be promptly identified and contacted. <u>Management Comment:</u> Agreed that 14 days remain the target, however, our resources are reducing due to efficiency measures and this is likely to cause greater time delays.	Immediate	Revenues Manager

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>47 days and a fourth was not updated until 72 working days after the new account was notified.</p> <p>Demand notices were issued within one working day following establishment within Civica.</p> <p>By not setting up new Council Tax accounts in a timely manner, there is a risk that liabilities will not be identified and addressed, resulting in the risk of Council Tax debts not being recovered in full.</p>				
4	Void properties are inspected on a cyclical basis to ensure that liability is promptly identified and actioned.	Yes	No	<p>Testing for a sample of 20 void properties confirmed that in 12 cases, inspections were conducted regularly during the year prior to audit.</p> <p>One building had only been vacant for 15 calendar days and therefore no inspection was conducted prior to new tenants taking liability. In three cases, the properties had not been vacant long enough at the time of audit to have had more than one inspection.</p> <p>For a further three properties, there were long gaps between inspections without adequate explanation: in one case, no inspections were conducted between January 2016 and July 2017; the two remaining properties were not inspected between May 2015 and May 2017.</p>	Medium	<p>The Council will consider the current provision in place for conducting cyclical inspections of void properties and identify whether the current shortfall can be met within the staffing structure.</p> <p>The frequency of the inspection cycle will be reviewed for adequacy, taking into account the Council's revenue streams and available resources.</p> <p>Alternative arrangements will be made where possible to ensure that properties currently registered as void have been inspected to</p>	1 July 2018	Revenues Manager

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>We were informed that the staff member responsible for conducting inspections had a significant period of sickness absence and responsibilities were not allocated to an alternate member of staff for a number of months. It was advised that the current accountable staff member is only covering the role part time for one day per week, and other responsibilities for a customer-facing role take priority, resulting in inspections being inconsistently completed.</p> <p>Without adequate provision for inspection cycles, there is a risk that void properties will not be reviewed on a regular basis. This could lead to a delay in identifying new liable parties and result in a failure to recover all due income. The Council should therefore review its current approach to the void property inspection cycle, considering whether accountabilities for inspections can be met within the current staff structure.</p>		confirm that this is still the case.		
Risk: Incorrect / inefficient business rate billing procedures (Risk Ref: MH75)								
7	<p>The VOA issues a schedule of changes to rating valuations on a weekly basis.</p> <p>Reconciliation is completed between the schedule and the</p>	Yes	No	<p>A sample of 15 weeks were selected, and testing conducted to ensure that VOA change schedules were reconciled, and amendments made in the Civica system.</p> <p>In all cases, accounts had been updated to reflect the changes</p>		Refer to management action two		

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	NNDR property database and all variances are identified and rectified.			<p>notified by the VOA. In 11 cases, reconciliations had been completed within one working day of issuance, in line with best practice. A further reconciliation was completed four working days after the schedule was issued.</p> <p>However, in one case the schedule was not reconciled until 15 working days after it was issued and a second until 11 days after issuance. The third schedule, dating from 28 May 2017, was not reviewed, and amendments made within Civica, for 16 working days. In all cases, reconciliations were completed by the Revenues Team Leader and authorised by the Service Manager - Revenues and Welfare Support, demonstrating sufficient segregation of duties.</p> <p>In two cases, changes were reviewed seven and eight days respectively after reconciliation. The remaining 13 sample reconciliations were reviewed and approved within one working day.</p> <p>There is a risk that, by failing to reconcile VOA schedules of changes in a timely manner, amendments will not be made, and customers not promptly notified. This could lead to substantial customer overpayments, with an impact upon the Council's cashflow. Alternatively, where there is an increase in rateable value,</p>				

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				customer relationships could be impacted.				
8	Void properties are inspected on a cyclical basis to ensure that liability is promptly identified and actioned.	Yes	No	<p>Testing was undertaken for a sample of 20 properties which were void during 2017/18. In 15 cases, inspections were undertaken on a regular basis, and at least three times per year. Fully completed and signed inspection reports had been uploaded to the Civica system.</p> <p>In one case, no inspections had been undertaken since a property became void on 20 December 2016. It was identified that this was due to the property being retrospectively listed as void, with notification only being received in November 2017. An inspection was planned for February 2018.</p> <p>For three properties in the sample, inspection records were infrequent, with limited inspections taking place between 2016 and the time of audit. As documented for Council Tax void properties, prolonged staff absence has led to inconsistent inspections and the current provisions should be considered to ensure that they are adequate.</p>		Refer to management action four		
9	Reconciliations between the Civica revenue system and the Agresso finance system are performed on a	Yes	No	Testing for a sample of five months from 2017/18 identified that, in all cases, reconciliations were completed within one month of the end of the period.		Refer to management action six		

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	monthly basis to balance NNDR income.			<p>All reconciliations were reviewed by the Revenues Team Leader, demonstrating segregation of duties, and signed as reviewed. It was identified that two reviews were not dated however in the remaining three cases, review was completed within ten working days of the reconciliation being completed.</p> <p>Through testing it was identified that two reconciliations, for August and October 2017, had not been reviewed by the Service Manager - Revenues and Welfare Support at the time of audit (December 2017).</p> <p>Further, reconciliations for April and May 2017 were not reviewed until 10 August 2017. Only the reconciliation for July 2017 was reviewed in a timely manner, in August 2017.</p>				
10	<p>Refunds arising from overpayments or adjustments to circumstances and rateable values are properly authorised.</p> <p>All supporting documentation is added to Civica. For any identified refunds, liable parties are issued with an updated demand notice stating the refund to be made.</p>	Yes	No	<p>A sample of 15 refunds issued during financial year 2017/18 was selected to confirm suitable evidence and authorisation.</p> <p>In all cases, refund reasons were clear, and documentation had been recorded within the Civica system. Updated demand notices were issued in a timely manner following receipt of evidence and a decision being made, clearly stating the refund amount.</p> <p>In 11 cases, refunds were approved by the Service Manager - Revenues and Welfare Support as part of</p>	Medium	<p>Refund batch payments will be appropriately approved prior to payment in line with delegated limits.</p> <p>Consideration will be given to the most suitable member of staff to deputise in instances of absence.</p> <p><u>Management Comment:</u></p> <p>Service Manager to obtain formal budget holding authority for the</p>	Immediate	Service Manager - Revenues and Welfare

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>refund batches. All batches documented the same value of refund as that evidenced in the Civica system and recorded on demand notices to liable parties.</p> <p>Four of the sample refunds were approved as part of a payments batch by the Client Officer. The total value of the batch was £532,192.62 however the Client Officer has no budget holder authority and therefore should not deputise in the absence of the Service Manager - Revenues and Welfare and refunds should only be authorised in line with delegated limits.</p> <p>By failing to adhere to delegated limits, there is a risk that unsuitable refunds will be paid and not identified, or that budget will be committed where it is not available.</p>		Client Officer to authorise Refunds.		

TREASURY MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

A review of Treasury Management was undertaken as part of the approved internal audit periodic plan for 2017/18. The review focused upon investments and borrowings during the 2017/18 financial year and how these have been managed and reported to meet the Council's cashflow requirements.

Treasury needs are managed on a day to day basis by the Assistant Accountant - Treasury and the Principal Accountant. Oversight and authorisation for dealings and cashflow are provided by the Financial Services Manager and the Deputy Chief Executive and Director of Finance.

To meet the approved capital expenditure plan for 2017/18, the Council has a net borrowing need of £2.15m. This is managed through cashflow management and investment with designated counterparties. The authorised prudential limit for fixed interest rate exposure for the year is £13.2m, with approval for £2m for variable interest rate borrowing.

Investments are made where appropriate, and when the Council has over £100,000 bank balance in place to meet the day's obligations. Fixed deposits are undertaken in accordance with the Treasury Management Strategy Statement, namely:

- Investments can only be made with counterparties;
- Maximum investment with bank and building society counterparties of £3m; and
- Maximum investment with money market fund counterparties of £4m.

Using reports from the Council's treasury management advisors, Capita, counterparties are regularly assessed for suitability. Deposit decisions are made based upon the content of these reports and the Treasury Management Strategy Statement.

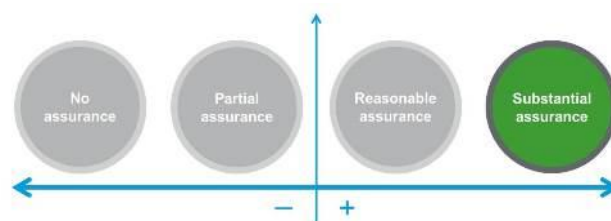
1.2 Conclusion

Our work has confirmed that there are robust controls in place for treasury management, and these are consistently complied with at the Council. Daily, weekly and monthly review cycles are in place. Investment and borrowing decisions are appropriately authorised and documented. Treasury management decisions are made in line with the Council-ratified Treasury Management Strategy Statement.

One low priority management action has been agreed for developing a bank mandate matrix.

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:

- A Treasury Management Strategy Statement for the 2017/18 financial year has been developed, including prudential indicators and authorisation limits for the period. The Strategy Statement was approved by both the Cabinet and the Council prior to commencement of the financial year.
- There are procedures notes in place for treasury management. They cover both general processes as well as providing guidance for specific systems.
- Capita, as the Council's treasury management advisors, issue weekly credit worthiness reports for all approved counterparties. The reports are reviewed by the Assistant Accountant - Treasury and as part of weekly treasury meetings.
- It was noted that there is no central record of staff included on bank mandates for the Council's counterparties. There is a risk that the Council will not identify where inappropriate or unsuitable authorisation limits have been set, particularly in regard to leavers.
- It was confirmed that, prior to any new investments being made, the Council requires a minimum bank balance of £100,000 to ensure that current liabilities can be met. Where suitable, any excess is invested in short-term deposits.
- Fixed deposits with counterparties are undertaken in accordance with the Treasury Management Strategy and are authorised in line with delegated authority limits.
- Loan files are updated on an ongoing basis to reflect applied interest and principal repayments.
- Most of the Council's borrowings are short-term, with two instances of short-term borrowing during financial year 2017/18. In both cases, appropriate approval was received prior to borrowings being agreed and repaid.
- The Council has six long-term borrowings, all with the Public Works Loan Board (PWLB). These borrowings are reported on an ongoing basis, reconciled each month and reviewed as part of weekly treasury meetings.
- Quarterly treasury activity reports are presented to the Cabinet, detailing the current and historic performance of investments, future maturities and outstanding loans.
- Monthly reconciliations are completed in a timely manner following period end between treasury records, the Agresso finance system and bank accounts. Variances are investigated and supporting evidence provided. Reconciliations are completed by a responsible member of staff, demonstrating segregation of duties.
- Cashflow forecasts are updated on an ongoing basis. Assumptions are built into the forecast based upon comparable prior periods until accurate estimates can be made. Final figures are added as they become available, including for cash receivables and payables, direct debit payments and approved invoices.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
					Low	Medium	High
Failure to maintain liquidity (Risk Ref: MH61)	0	(12)	1	(12)	1	0	0
Total					1	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.

HOUSING NEEDS - EXECUTIVE SUMMARY

1.1 Background

An audit of Housing Needs was undertaken as part of the approved internal audit periodic plan for 2017/18.

The government is committed to preventing and reducing homelessness, and to no one ever having to spend a night on the streets. This is the key driver behind the implementation of new legislation, the Homelessness Reduction Act, which will commence in April 2018.

The Act is designed to significantly reform England's homelessness legislation by placing duties on local authorities to intervene at earlier stages to prevent homelessness in their areas. It also requires local authorities to provide homelessness assistance to all those affected, not just those who are protected under existing legislation.

As part of the Act's implementation the government is revising the existing statutory code of guidance. This will provide updated guidance to local authorities on how they should exercise their homelessness functions and apply the legislation in practice.

The Council have a small allocation of emergency housing stock to issue as temporary accommodation. The 11 units are split across the Council with some more suitable for individuals/smaller families and others more suited to larger families and/or individuals requiring disabled access. The Council also has arrangements in place with Rushcliffe Borough Council, YMCA and also utilises Bed and Breakfasts/Hotels to provide emergency housing for people made homeless, where necessary.

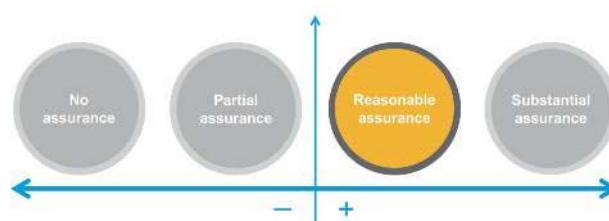
1.2 Conclusion

Our review has concluded that whilst the Council is taking the necessary steps to ensure compliance with the new legislation, there are areas of control weakness and as a result, five management actions have been agreed with Management comprising of two 'medium' and three 'low' priority actions.

Internal audit opinion:

Taking account of the issues identified, the Council can take **reasonable assurance** that the controls in place to manage this risk are suitably designed and consistently applied.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



1.3 Key findings

The key findings from this review are as follows:

- The Council have in place a five-year Homelessness Strategy. The Strategy is a joint one with Rushcliffe Borough Council and Broxtowe Borough Council and was approved by Cabinet on the 7 December 2017. The three Councils have strategic responsibility for meeting legislative requirements under the Homelessness Act 2002. Section 1(4) of the Homelessness Act 2002 requires Local Authorities to publish a new Homelessness Strategy within a period of five years. This is the second joint homelessness review for the three Boroughs; the last joint Homelessness Strategy was published in 2013.
- The Council have clear out of hours arrangements in place so that emergency housing can be provided, no matter what time of day. All staff within the Housing Needs Department are provided with mobile phones and are on an 'on-call' rota, whereby one member of staff is always on hand to handle any calls which come in and provide a temporary solution for the night.
- The Council have an arrangement in place with Framework, who provide 24/7 outreach staff when cases are referred onto them to provide support to homeless people that get in touch with the Council or are reported by a member of public.
- Through testing of a sample of 15 individuals who utilised emergency accommodation in the current financial year, it was confirmed that where the homeless person had used the Councils own housing stock, no invoice was raised as the amount of the bill to be issued was covered by the individuals housing benefits.
- Where invoices are raised as the amount charged is not covered by benefits, these are passed onto the Corporate Debt Recovery Team and procedures are implemented in line with the Sundry Debtors Policy. In accordance with those procedures, should the amount invoiced need to be written off, as with any other write off, authorisation is received from the S151 Officer before processing.
- Upon receipt of an invoice from an emergency housing provider, the amount billed is reconciled against the number of nights which the homeless person utilised the emergency housing, which is obtained from the original booking. Once confirmed, invoice requisitions are authorised by the Service Manager - Revenues and Welfare Support, before being passed onto the Creditors Team for payment.
- Quarterly reports are provided to Senior Management Team which summarise key Housing Needs statistics. Furthermore, a new module is being added to the existing Abris system, bringing it more in line with the change in legislation. This additional module has been designed to ensure the Authority is compliant with the new legislation. This new module will be able to produce additional performance statistics which will be reported up to Senior Management Team.

However, five management actions have been agreed as a result of the review comprising of two 'medium' priority and three 'low' priority actions. The two 'medium' priority actions relate to the following issues identified:

- Through testing of a sample of 15 people placed into emergency housing in the current financial year, it was confirmed that in three instances, there was no evidence to confirm that the individual had been assessed against the five assessment criteria. Without retaining evidence that the individual has been assessed against the criteria, there is a risk that legislation is not complied with.
- Through testing of a sample of 15 individuals placed into emergency housing in the current financial year, it was confirmed that:
 - In three instances, there was no Final Offer Letter retained; and
 - In five instances, there was either no Housing Options Assessment retained, or there was no signed copy from the homeless individual.

Again, without retaining adequate evidence on file, there is a risk that legislation is not complied with.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed management actions		
	0	(3)	0	(3)	Low	Medium	High
Lack of an effective Housing Strategy	0	(3)	0	(3)	0	0	0
Incorrect application of the housing allocations Policy	0	(3)	1	(3)	1	0	0
Incorrect assessment of homeless application	0	(7)	4	(7)	2	2	0
Total					3	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 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 regulatory scrutiny/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, regulatory scrutiny, 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: Incorrect assessment of homeless application								
3	Before people are placed in emergency housing, they are assessed against five criteria. Only if they meet all of the criteria are they eligible for emergency housing. The assessment criteria is as follows: <ul style="list-style-type: none"> • Homeless; • Eligibility; • Priority Need; • Intentionality; and 	Yes	No	Through testing of a sample of 15 people placed into emergency housing in the current financial year, it was confirmed that in three instances, there was no evidence to confirm that the individual had been assessed against the five assessment criteria, as there were no final offer letters retained on file. <p>Without being able to provide evidence to justify the housing needs assessment, there is a risk of non-compliance with legislation.</p>	Medium	With the changes in legislation and new systems being implemented, staff will ensure that final offer letters are retained on file for each homeless application processed.	30 June 2018	Service Manager Revenues and Welfare Support

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> Local Connection. 							
4	<p>Records of people placed into emergency housing are held centrally on Abrisas, in accordance with legislation. Key records include:</p> <ul style="list-style-type: none"> Homeless applications; Authorisation to make enquiries document; Housing Options Assessments; A signed S214; and A signed S184. Letter confirming final offer 	Yes	No	<p>Through testing of a sample of 15 individuals placed into emergency housing in the current financial year, it was confirmed that:</p> <ul style="list-style-type: none"> In three instances, there was no Final Offer Letter retained; and In five instances, there was either no Housing Options Assessment retained, or there was no signed copy from the homeless individual. <p>Without retaining all records, there is a risk that legislation is not complied with.</p> <p>Under the new Act, anyone potentially at risk of homelessness (for example an individual who calls the Council for advice or expresses a concern before being made homeless) is also required to complete a homeless application. This is to ensure that the Council has logged the individual and is aware of their circumstances, increasing the chances of preventing homelessness. In line with the new legislation, the Council is updating their current database in order to ensure that all key records are stored.</p>	Medium	With the changes in legislation and new systems being implemented, staff will ensure that key records are retained on Abrisas.	30 June 2018	Service Manager Revenues and Welfare Support

FOLLOW UP PART 2 - EXECUTIVE SUMMARY

1.1 Introduction

As part of the approved internal audit periodic plan for 2017/18 we have undertaken a review to follow up progress made by the Council to implement the previously agreed management actions. The audits considered as part of the follow up review were:

- 06.16/17 Housing Benefits;
- 02.17/18 Geographic Information System, Land Charges, Street Naming & Numbering;
- 05.17/18 Cash and Bank;
- 07.17/18 Creditors and e-Procurement;
- 08.17/18 Car Parks;
- 09.17/18 Housing Benefits and Council Tax Reduction Scheme;
- 10.17/18 Events Management; and
- 12.17/18 Enforcement.

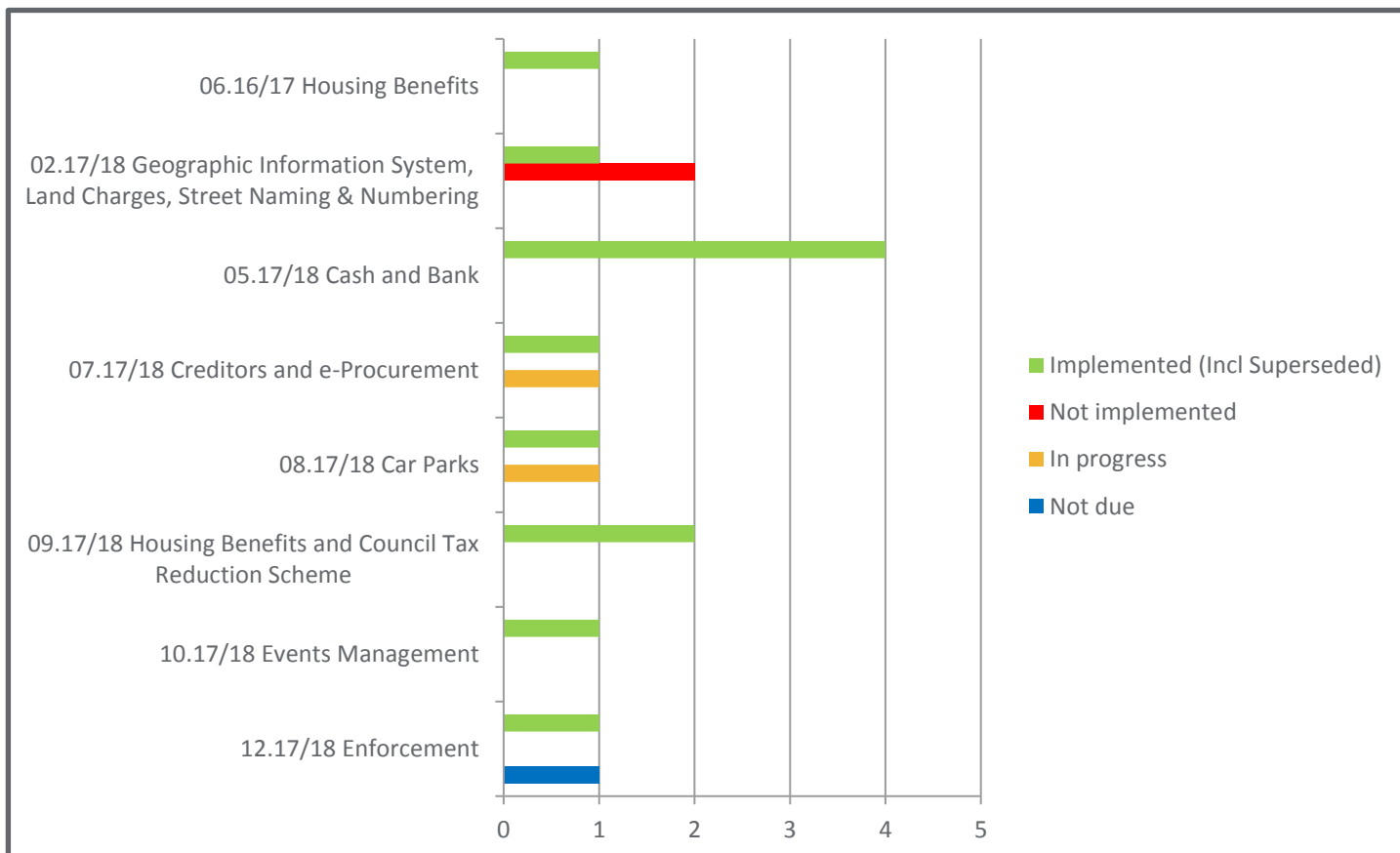
The 17 management actions considered in this review comprised of one 'high', two 'medium' and 14 'low' actions. Concentrating on the actions classified as 'high' and 'medium', the focus of this review was, to provide assurance that all actions previously made have been adequately implemented. For actions categorised as 'low' we have accepted management's assurance regarding their implementation.

1.2 Conclusion

Taking account of the issues identified in the remainder of the report, in our opinion Gedling Borough Council has demonstrated **good progress** in implementing agreed management actions.

We have reiterated management actions where these have not yet been implemented. In addition we have made new management actions where appropriate; these are detailed in section 2 of this report.

The following graph highlights the progress made on the actions that have been followed up.



1.3 Action tracking

Action tracking enhances an organisation’s risk management and governance processes. It provides management with a method to record the implementation status of actions made by assurance providers, whilst allowing the Audit Committee to monitor actions taken by management.

Gedling Borough Council's management maintain an audit recommendation log for internal tracking and are currently in the process of switching to Covalent for this process.

1.4 Progress on actions

Implementation status by review	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
06.16/17 Housing Benefits	1	1	0	0	0	0	1
02.17/18 Geographic Information System, Land Charges, Street Naming & Numbering	3	1	0	2	0	0	1
05.17/18 Cash and Bank	4	4	0	0	0	0	4
07.17/18 Creditors and e-Procurement	2	1	1	0	0	0	1
08.17/18 Car Parks	2	1	1	0	0	0	1
09.17/18 Housing Benefits and Council Tax Reduction Scheme	2	2	0	0	0	0	2
10.17/18 Events Management	1	1	0	0	0	0	1
12.17/18 Enforcement	2	1	0	0	0	1	1

Implementation status by management action priority	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
Low	14	9	2	2	0	1	9
Medium	2	2	0	0	0	0	2
High	1	1	0	0	0	0	1
Totals	17	12	2	2	0	1	12

RISK MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

An audit Risk Management was undertaken as part of the approved internal audit periodic plan for 2017/18. Our review was undertaken to ensure processes are in place to identify, assess and manage the risks the Council faces.

The Council has an established Risk Management Strategy and Framework in place, which is designed to reflect current best practice in Local Authority Risk Management.

Effective risk management assists in achieving the Council's vision and strategic objectives and helps to optimise the quality and efficiency of its service delivery. Therefore, it is imperative that there is an effective risk management system and assurance framework. The achievement of the Council's strategic objectives is underpinned by the effectiveness of the controls identified to mitigate the principal risks which would affect the objectives being attained.

The Risk Management Strategy and Framework were last reviewed in July 2017 and are next due for review in July 2020. The Council's approach to Risk Management has undergone significant change since the introduction of a new Section 151 Officer last year. All risks are ultimately 'owned' by the relevant Service Managers, who are required to review and update risk registers in line with procedure as outlined in the Risk Management Strategy and Framework.

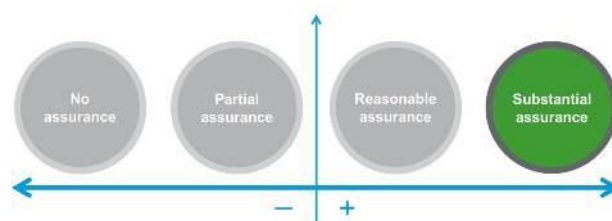
The risks identified are recorded at either the corporate level, in a Corporate Risk Register or at an operational level, in Service Risk Registers. This two-tier approach ensures that the highest level strategic risks, those which present the greatest challenge to the Council, are identified, evaluated and closely monitored. All risks, both strategic and operational, are monitored by the Senior Leadership Team, which discusses the risk registers quarterly and then report to the Audit Committee quarterly as well. This enables risk scores to be challenged and re-evaluated and facilitates discussion regarding emerging and changing risks. The Council's Risk Register is reported to the Audit Committee quarterly.

1.2 Conclusion

There is an appropriate control framework in place for governing Risk Management. Our review concluded that key controls are being applied adequately and effectively. We identified no issues that required us to comment upon or to raise management actions that would require improvement actions to be taken. Therefore, we are able to offer a Substantial Assurance audit opinion on the work undertaken.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- The Council's Constitution contains high level key controls and defines the ownership arrangements for the management of all levels of risk within the Council.
- The Council has a Risk Management Strategy in place, and is approved by the Audit Committee and by full Council.
- The latest Risk Management Strategy includes guidance on the identification, scoring and assessment, evaluation, treatment and reporting of risks.
- The Council has determined its risk appetite and this is set out on a risk by risk basis in the Corporate and Service Risk Registers.
- A Senior Leadership Team is in place which meets each quarter to discuss the risks faced by the Council.
- The Audit Committee receive quarterly reports with reference to the effectiveness of risk management procedures and notification of Internal Audit management actions in respect of these.
- A Corporate Risk Register is maintained which contains key strategic risks and is subject to review at each quarterly Senior Leadership Team meeting.
- A risk register is maintained for each service area and which is updated and reviewed each quarter by the Service Manager before being reported to the Senior Leadership Team.
- All risks have been assigned a risk owner who is responsible for assessing and monitoring that risk.
- Risks are documented and assessed in terms of likelihood and impact.
- Risks are scored consistently using pre-determined definitions, and plotted on the risk registers correctly.
- Controls are put in place to mitigate each risk and these are documented on the risk register.
- Any significant service area risks are raised at Senior Leadership Team meetings and if necessary, are evaluated and are escalated into the Corporate Risk Register.

We would like to take this opportunity to thank staff and Managers involved in this review for their co-operation and assistance throughout.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design		Non-Compliance with controls		Agreed management actions		
					Low	Medium	High
Inadequate / inappropriate Risk Management Strategy (Risk Ref: MH25).	0	(12)	0	(12)	0	0	0
Total					0	0	0

2 DETAILED FINDINGS AND 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 regulatory scrutiny/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, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

There were no management actions raised as a result of the review.