

INTERNAL AUDIT – AUDIT UPDATE

Overview:

This report is to set out to the committee the work of internal audit undertaken during September 2016 to December 2016.

Action required:

The committee is required to note the content of the report.

1 INTRODUCTION

- 1.1 This is a periodical report for Committee on the work of Internal Audit to provide an overview of the work undertaken during September 2016 to December 2016.
- 1.2 The last report was presented to the Committee on the 26th September 2016 where details of the audit plan for the current financial year were reported (See Appendix A). Along with an update on the internal audit work completed during March 16 – August 16.

2 DETAILS OF KEY WORK COMPLETED DURING SEPTEMBER 2016 TO DECEMBER 2016

Housing Benefits

- 2.1 The Council's benefits system is reviewed biennially. Using nationally published data by the Department for Work and Pensions (DWP), for quarter 1 of 2016/17, RBC are currently joint first place for processing times. With new claims being processed within 5 days and change in circumstances being processed within 1 day.
- 2.2 The audit concluded that the system continues to operate effectively with sound controls in place and Benefit claims are correctly calculated and processed in a timely manner with a sound audit trail to support entitlement.
- 2.3 Parameters are loaded onto the benefits system annually in line with the DWP stipulated amounts. A minor error was identified with the figure inputted for one parameter within the system. However, this has now been rectified and only impacted 2 accounts with a total value of £8.66.
- 2.4 The audit found that prompt system generated action was taken at the early stages of debts becoming due. However, once the standard processes had been exhausted the audit revealed some concerns about the speed with which some debts were managed.

- 2.5 These concerns were discussed fully with the Revenues and Benefit Manager who shared the concerns and had factored this matter into an ongoing Systems Thinking review currently being carried out.
- 2.6 The Audit Team agreed to return to this matter to follow up with the Revenue and Benefits Manager once the Systems Thinking review changes have been implemented.

Treasury Management

- 2.7 The Council's Treasury Management system is reviewed biennially. In regard to investments, Rushmoor maintains a balance between achieving optimum performance with low risk parameters, as set out in the 2016/17 Strategy.
- 2.8 The audit concluded that the system continues to operate effectively with sound controls in place. Records and documentation supporting transactions provide a clear audit trail, correct account coding and compliance with the approved strategy.

Council Tax Billing and Collection

- 2.9 The Council Tax Billing and Collection processes are reviewed biennially. Since the last review in 2014/15, the team has been re-structured and a core team now manages the day to day Council Tax operations, led by an experienced Local Taxation Manager
- 2.10 As well as the re-structure, the team has undertaken a Systems Thinking review of procedures, and the updated leaner processes were introduced over a period from April 2015 to April 2016.
- 2.11 The audit concluded that:
- The system continues to operate effectively with sound controls in place.
 - The annual billing cycle and approvals is well established and controlled as is the management of the Valuation Office records, rejected Direct Debit payments, refunds, the iWorld system access controls and the monthly finance reconciliations.
 - The payments outstanding up to the Liability Order stage are appropriately managed.
- 2.12 A few minor areas were highlighted for improvement and further action has been agreed to be carried out:
- Ensuring that future inspections or end dates to assess the status of discounts or exemptions are always booked.
 - Ensuring uncommon discounts are reviewed regularly to assess their status, for example caravans, care homes, religious communities, a visiting forces account and a child benefit account.

- Ensuring that a clear system is in place for officers to declare accounts where there may be a potential conflict of interest, e.g. for relatives living in the Borough, and identification of these would enable access / the nature of transactions to be restricted on iWorld. There may be other corporate areas, e.g. Benefits, where this could also be applicable.

Council Tax and NNDR Recovery

- 2.13 The recovery system is reviewed biennially. Since the previous review in 2014/15, there have been notable changes within the team with the previous Recovery Manager and key staff leaving, the structure of the Revenues team changing and the introduction of the Council Tax Reduction Scheme, whereby residents previously not liable for Council Tax became liable for a proportion, although still on Benefits.
- 2.14 Following the Systems Thinking review, the core team have adopted a more pro-active approach in collecting debt by communicating with residents at key debt stages, in particular before the Summons stage, to encourage dialogue and payment.
- 2.15 The audit concluded that changes in the last two years have resulted in a fall in the collection rates from 2014/15. The systems for the recovery of monies following the Liability Order stage is recognised by management as currently requiring an enhanced focus.
- 2.16 Therefore a temporary officer recently joined to assist the team, officers within the Support Team and Core Team are being given specific debts to review and a proposal to further re-align officer duties in the short term to improve recovery up to the financial year-end are being undertaken.
- 2.17 The iWorld system currently allows both 'creating' and 'approval' of write-offs by the Principal Revenues & Benefits Manager and the Senior Local Taxation Officer. Therefore, there is not an appropriate level of segregation of duties for this process. The Principal Revenues and Benefits Officer has agreed to introduce a segregation of duties to this process.

Server Virtualisation

- 2.18 The landscape of IT Infrastructure has changed radically in the last 5 years, in that there has been a fundamental swing to the use of virtualisation technology. Virtualisation allows multiple servers to run from a single physical server, which, therefore reduces the number of physical servers and the overheads of management, cost, power and cooling that are associated with these.
- 2.19 Therefore, the Council implemented a project to upgrade its server infrastructure whilst introducing and gaining the advantages and benefits of virtualisation technologies infrastructure and a shared storage solution. The project was completed in June 2016.
- 2.20 An external IT auditor was brought in to carry out a review to ensure that the project had appropriate management controls and the virtual servers had robust security controls in place.

- 2.21 The audit concluded that the general controls over server virtualisation were satisfactory, including compliance with the Government's stringent Public Services Network (PSN) Code of Connection for the current year compliance.

Audit Follow-ups

- 2.22 The follow ups below have been carried out. All showed progress being made towards implementing the recommendations agreed as part of the audit:

- **Member/ Mayor Allowances**

An audit was carried out, in 2015/16, on Member/ Mayor allowances. The audit concluded that allowances were correctly paid, although the date allowances commenced was not clearly documented. Clear documentation is now available to show when allowances should commence.

Furthermore, clear documentation and reconciliations were not available for the Mayor's charity events. Clear documentation and reconciliations are now available for the events.

- **Maintenance Team**

An audit was carried out on the maintenance team in 2013/14. The audit concluded that appropriate documentation was not available in order to assess the team. Therefore, a new system was proposed to be implemented in order to address this.

The Principal Engineer is working with IT services in order to get the system in place. However, this is not a quick solution due to development, testing and other priorities. Once the system is in place a further follow up will be carried out.

Mobile devices follow up

- 2.23 A follow up was also carried out on the Mobile Devices audit. It was reported at the last committee, in September, that one high priority recommendation had not yet been fully implemented and was being referred back to the Directors Management Board. This recommendation has now been fully implemented prior to it being referred back to the Directors Management Board.

3 WORK UNDERWAY

- 3.1 The following audit work is currently underway and the findings will be reported as part of the next internal audit update report to the committee:

- *Public Sector Internal Audit Standards (PSIAS)* – At the last meeting, it was reported that the results from carrying out the self-assessment against these standards would be reported to the committee. However, due to the amount of work required with the self-assessment this work is still ongoing but should be reported as part of the next internal audit update to the committee in September 2017.

- *Cash Receipting audit* – This is a key financial system, which is audited biennially.
- *Parking Machine Income* – This audit is reviewing the income from parking machines to ensure that the collection and banking processes are robust, provide a sound audit trail and are appropriately reconciled.
- *Activation Aldershot (Capital Project)* – A project from the capital programme is reviewed annually. This project will be reviewed to ensure that the project has been robustly carried out and managed to meet the objectives of the project.

3.2 The Audit plan for 2017/18 is also being developed and will be reported to the Committee at the next meeting in March.

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INTERNAL AUDIT WORK 2014/15	
Audit Work	Audit Days
Significant financial audits as directed by external audit	
Treasury Management	15
Cash receipting	15
Housing Benefits and Council tax support	15
Council Tax Billing and Collection	15
Council Tax and NNDR Recovery	15
Capital Accounting - Activation Aldershot	20
System/Value For Money (VFM) audits / connection to 8 Point Plan	
Heating Contract (<i>Point 7</i>)	20
Prospect Community Centre (brought forward from previous year) (<i>Point 4</i>)	20
New banking process (<i>Point 2</i>)	5
Maintenance team follow up	5
Planning Enforcement follow up	1
Car Park machine income off street parking (<i>Point 2 & 3</i>)	25
Building Control – joint service with Hart Council (<i>Point 2 & 3</i>)	25
Petty cash/ procurement cards (<i>Point 5 & 7</i>)	10
Specialist Information Technology Audits	
Car Park system follow up	1
Express system follow up	1
IT Security Audit – including the new firewall	10
Server virtualisation	10
Anti-Fraud and Corruption work	
Her Majesty's Revenue & Customs (HMRC) follow up	2
Financial grants follow up	2
Review of corporate governance statement	1
Constitution (brought forward from previous year)	20
Review/ update corporate governance policies	2
Corporate Projects – Allocation of Audit Manager's time to enable the delivery of these projects	
Channel Shift (<i>Point 2</i>)	15
Co-location 2 (<i>Point 3 & 4</i>)	121
Corporate Governance	30
Action Learning sets	10