

LICENSING, AUDIT AND GENERAL PURPOSES COMMITTEE

AUDIT MANAGER 27th JANUARY 2020
REPORT NO. AUD 20/01

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes the work carried out by Internal Audit for quarter 3.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work carried out in quarter 3, including the work slipped from quarter 2.
- ii. Note the update to the expected deliverables for quarter 4.

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed by Internal Audit to date for Q3 2019/20.
- A schedule of work expected to be delivered Q4 2019/20.

2 Audit work – Q3 19/20

2.1 The following audit work has been carried out within quarter 3:

Work	Status
Audit findings – Appendix A of this report	
Financial borrowing	This audit was carried out by the contract auditors. A substantial assurance opinion has been given to this area. Findings are detailed within Appendix A.
Council Tax Billing and Collection	This audit was carried out by the contract auditors. A substantial assurance opinion has been given to this area. Findings are detailed within Appendix A.
Cash Receipting	This audit was carried out by the contract auditors. A full assurance opinion has been given to this area. Findings are detailed within Appendix A.
Audit work in progress	
Estates Management and Commercial Letting	The draft report is currently being reviewed by the Estates Manager and will be reported at the Committee meeting in March.

Taxi Licensing – fees and processing records	The draft report is currently being reviewed by the Licensing Manager and will be reported at the Committee meeting in March.
Building Control Partnership	Testing has been completed by the contract auditor and the report on findings is currently being drafted for review by the Building Control Manager. The findings will be communicated at the Committee meeting in March.
Follow up on high risk recommendations from previous audits	Work is ongoing to follow up on previous high recommendation made. The findings from these follow up will be communicated at the Committee meeting in March.
Capital Programme Management	Testing has commenced.

2.2 Other deliverables:

Updates have been made to the following Council policies:

- Whistle Blowing policy,
- Anti-fraud, Corruption and Bribery policy
- Anti-Money Laundering policy

These are being included within the update to the Council's constitution.

2.3 The Council makes use of access to DVLA information for investigations of Council Evasion, Council Tax Reduction fraud and fly-tipping. An unexpected audit has recently been carried out which required evidence to be gathered to justify the use of the information for investigations.

3 Expected deliverables for Q4 2019/20

3.1 The following changes will be made to quarter 4 work previously planned within the audit update provided to the Committee in November 2019:

- PCNs – This audit will be deferred to 2020/21 to be carried out as further work is required around the car park income reconciliation.
- PCI DSS - Due to the unplanned work being carried out for the taxi licensing process the PCI DSS audit will be deferred to 2020/21.
- Risk Management Consultancy – A group is overseeing the risk management process therefore consultancy is not required and the update on progress will be detailed within the Annual Governance Statement update report due to be reported to the Committee in March.

- Procurement and Housing Allocation list – This was proactive work scheduled in to be undertaken by the Council’s Corporate Investigation Officers. Due to their workload being unpredictable this work may not be carried out by the end of the financial year as reactive work takes priority over the proactive work.

3.2 The work expected to be delivered in quarter 4 is detailed within the table below. As with the previous quarter, these audits can be subject to change due to the changing needs of the organisation or resource availability. An update will be provided at the March meeting.

Service	Audit/ follow up/descriptor	Expected
Operations	Car park income reconciliation consultancy – <i>Consultancy days planned to offer advice around the reconciliation process for car park income.</i>	Q4 2019/20
Economy, Planning & Strategic Housing	SANGS consultancy and review – <i>Consultancy days planned to offer advice for the SANGS process.</i>	
Finance	Treasury Management – <i>A key financial system review.</i>	
Finance/ Operations	Capital Project – <i>A review of a capital project</i>	
Democracy, Strategy and Partnerships	Performance Management – <i>a review of the new process developed.</i>	
Finance/ ELT	Housing company/ RDP start up	
Finance	Ethical Governance – <i>A review of petty cash usage within the Council.</i>	

AUTHOR: Nikki Hughes, Audit Manager
01252 398810
nikki.hughes@rushmoor.gov.uk

HEAD OF SERVICE: David Stanley, Executive Head of Financial Services

References: *Internal Audit – Audit Plan* report, presented to the Committee on the 6th June 2019

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=166&MIId=738&Ver=4>

AUDIT FINDINGS ON THREE ITEMS:

Audit Title 1	Financial Borrowing		
Year of Audit	2019/20		
Assurance given	<i>Substantial – Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.</i>		
Overview of area	<p>The last Treasury Strategy estimated £100 million in borrowings for 2019; as at 17th September 2019 the Council's borrowing total was at £78 million. The Council have been focusing on purchasing property and the regeneration of assets purchased in Aldershot and Farnborough. The Council currently have £20 million in short-term borrowing with the remaining total (£58 million) in long-term borrowing. Short term borrowing is kept as low as possible as this represents a higher risk should borrowings need to be re-financed.</p> <p>The service operates effectively with sound controls in place. Borrowings are well managed, with records held manually and electronically within the team. This enables informed decisions to be made and supporting records to all borrowings to be maintained effectively.</p> <p>A large proportion of the borrowing is held in long-term arrangements. This ensures that the risk remains low, especially with the recent increase in the borrowing interest rates.</p>		
Priority	Key findings	Management response and agreed action	Action by who and when
Medium	<p>Signed authorisation is not consistently obtained for borrowings before a deal is made, whether this be a new borrowing or one that has been rolled over.</p> <p><i>Risk</i> <i>In some cases, there is no audit trail of the authorisation of borrowings, increasing the risk that they could be taken out without prior knowledge or consent of the Finance Manager and Executive Head of Finance. This could lead to significant financial loss for the Council and the possibility of fraud.</i></p>	<p>Agree that not all authorisations have been recorded in a clear manner and going forward email authorisation from Head of Service will be obtained and recorded either electronically or on hard copies. Note that authorisation is not always on a loan by loan basis but on a strategic borrowing proposal.</p>	<p>Finance Manager</p> <p>January 2020</p>

	<p>Recommendation Standard form to be used to gain the appropriate authorisation before each deal is made for a new or rolling borrowing and for these to be held in a centralised place. (This is for all borrowings including ones made on the Ideal Trade platform too)</p>		
Medium	<p>The request for borrowing from the Finance Manager to the Accountant is not consistently recorded.</p> <p><i>Risk</i> <i>A lack of audit trail to support the Borrowing requirements may lead to potential fraud, undetected errors and/or losses.</i></p> <p>Recommendation An email to be sent and held in a centralised place to establish an audit trail.</p>	<p>Agree that record of borrowing requirements needs to be improved. There is email correspondence outlining the need to borrowing, however this is not 100% complete.</p>	<p>Finance Manager January 2020</p>
Low	<p>There are no written procedures within the team.</p> <p><i>Risk</i> <i>Errors may arise without clear procedures in place.</i></p> <p>Recommendation Procedures should be compiled for each task within the service.</p>	<p>Agree that procedures need to be written to support the current process in place.</p>	<p>Finance Manager January 2020</p>

Priority key for way forwards	
High priority	A fundamental weakness in the system/area that puts the Authority at risk. To be addressed as a matter of urgency.
Medium priority	A moderate weakness within the system/area that leaves the system/area open to risk.
Low priority	A minor weakness in the system/area or a desirable improvement to the system/area.

Audit Title 2	Council Tax Billing and Collection		
Year of review	2019/20		
Assurance given	<i>Substantial – Key controls designed to achieve the system/function/process objectives, are in place. There are opportunities to enhance/strengthen these controls.</i>		
Overview of area	<p>The Council Tax Billing and Collection processes are reviewed biennially, as agreed with the external auditors. The previous audit carried out in 2016/2017 concluded that the systems operated effectively. There are clear areas of responsibility within the service, including division of duties, which operates effectively.</p> <p>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.</p>		
Priority	Key findings	Management response and agreed action	Action by who and when
Medium	<p>The inspections process is not being consistently followed by the Visiting Officer.</p> <p><i>Risk</i> <i>Discounts and Exemptions may be applied incorrectly should inspections not occur as per the process. This could lead to a financial loss for the Council.</i></p> <p>Recommendation Regular performance checks to be completed to ensure that all aspects of the process are being covered.</p>	<p>Performance management has been carried out and some weaknesses were identified. These were addressed with the Visiting Officer.</p> <p>Further checks were carried out, however these tailed off when an improvement had been made.</p> <p>I recognise that these checks need to continue on a monthly basis.</p>	<p>David May, Principal Revenues and Benefits Officer</p> <p>January 2020</p>

<p>Medium</p>	<p>There are not currently regular performance checks completed for all team members, covering all tasks.</p> <p><i>Risk</i> <i>Tasks could be processed incorrectly potentially leading to accounting errors or a financial loss for the Council.</i></p> <p>Recommendation Performance checks to be completed for all team members for all tasks, each month.</p>	<p>Performance checks will be completed by choosing a random sample of work for all staff.</p> <p>This will be carried out immediately on a monthly basis.</p>	<p>David May, Principal Revenues and Benefits Officer</p> <p>Karen Parker, Senior Local Taxation Officer</p> <p>January 2020</p>
<p>Low</p>	<p>Inspections are not currently being booked in on the system, as procedures require.</p> <p><i>Risk</i> <i>Discounts and Exemptions could be allowed to continue on accounts in some cases where taxpayers are not entitled to them. This could lead to a financial loss for the Council and/or the need for time consuming recovery action.</i></p> <p>Recommendation The process outlining the steps for booking in inspections should be followed.</p> <p><i>Previous concern in the 2016/17 audit</i></p>	<p>A review will take place which details and documents what empty / occupied properties require a visit. Following this, a reminder will be sent to all staff about booking in inspections. This will then be picked up as part of the performance checks.</p> <p>Should there be any issues following this, they will receive additional performance management.</p> <p>In the interim period, a report can be run which is able to identify discounts/exemptions that haven't got inspections logged.</p>	<p>David May, Principal Revenues and Benefits Officer</p> <p>Karen Parker, Senior Local Taxation Officer</p> <p>January 2020</p>

Audit Title 3	Cash Receipting		
Year of review	2019/20		
Assurance given	<i>Full – A comprehensive system of internal controls is in place designed to achieve the system/function/process objectives. These controls are operating effectively and are being consistently applied.</i>		
Overview of area	<p>The Cash Receipting processes are reviewed biennially, as agreed with the external auditors. The previous audit carried out in 2016/17 concluded that the system continues to operate effectively. The Customer Service Unit still provides a counter facility in Reception for the public, to process face-to-face card, cheque and cash payments.</p> <p>All income is still processed through the CAPITA cash receipting system, with payments taken by system users in the Customer Service Unit and in appointed service areas, e.g. parking, crematorium, Connaught Leisure Centre, etc. through the PAYE.net system.</p> <p>The system continues to operate effectively with sound controls in place. The use of the CAPITA system and the Customer Service Unit procedures are well established and managed by an experienced team. The Finance team's procedures for the reconciliation of the cash receipting transactions are also well established and are effective in supporting the overall bank reconciliation process.</p>		
Priority	Key findings	Management response and agreed action	Action by who and when
Low	<p>There are currently daily collections for cash and cheques from the previous day's takings with this costing £18.50 per collection.</p> <p><i>Risk</i> <i>This could be an over control which is costing the Council more than is required due to the reduction in the number of cash and cheque transactions.</i></p> <p>Recommendation Collections to be changed to once a week, on Fridays, and the current insurance cover for cash holdings would facilitate this. This would save £74 a week - c.£3,800 p.a.</p>	We agree with the recommendation and will look to moving to one collection per week in the new year.	<p>Marybeth Quintmere, Customer Service Manager.</p> <p>January 2020</p>