

Subject: Progress Report on Internal Audit Activity, 25 November 2015 to 21 March 2016

Report to: Audit and Risk Committee, 29 March 2016

Report by: Internal Audit Consortium Manager

SUBJECT MATTER / RECOMMENDATIONS

This report examines progress made between 25 November 2015 and 21 March 2016 in relation to delivery of the Annual Internal Audit Plan for 2015/16, and includes abbreviated executive summaries in respect of four audit reviews which have been finalised during this period.

In addition the report includes two Position Statements and a summary of the Cross Authority Review of the Accounts Payable service.

It is recommended that the Committee:

- Receive and note the outcomes of those audits finalised during the period.

1. BACKGROUND

- 1.1 This report reflects the progress made with regard to assignments featuring in the approved Annual Internal Audit Plan for 2015/16 which was endorsed by the Audit and Risk Committee on 12 February 2015.

2. THE CURRENT COMPOSITION OF THE ANNUAL AUDIT PLAN

- 2.1 The current position in relation to the delivery of the Internal Audit Annual Plan 2015/16 is shown within the report.

3. CONCLUSION

- 3.1 Progress in relation to delivery of the Internal Audit Plan (revised) 2015/16 is in line with expectations.
- 3.2 During the period covered by this report four audits have been finalised, concluding in 21 recommendations being agreed with management; no priority one (urgent) nine priority two (important) and 12 priority three (needs attention). In addition two Position Statements have been finalised as has a Cross Authority Review.

FINANCIAL IMPLICATIONS:

None

LEGAL IMPLICATIONS:

None

EXECUTIVE BOARD OR DIRECTOR CONSULTATION:

None

RECOMMENDATIONS

It is recommended that the Committee:

- Receive and note the outcomes of those audits finalised during the period.

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|------|
| Does this report raise any legal, financial, sustainability, equality, crime and disorder or human rights issues and, if so, have they been considered? | Issues | None |
| | Legal | None |
| | Financial | None |
| | Risk | None |
| | Sustainability | None |
| | Equality | None |
| | Crime and Disorder | None |
| | Human Rights | None |
| | Every Child Matters | None |

APPENDICES: Progress Report on Internal Audit Activity

Eastern Internal Audit Services



GT YARMOUTH BOROUGH COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 25 November 2015 to 21 March 2016

Responsible Officer: Emma Hodds – Internal Audit Consortium Manager (IACM)

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager) to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:-
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 12 February 2015, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. In September 2015 the Committee received a report in relation to the updates that had been made to the plan.
- 2.2 Since then it has been agreed to review the procurement of the Sentinel Leisure Trust in relation to GYBC financial and contract procedure rules and OJEU requirements; member approval and assessment of risks.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations. .
- 3.2 In summary 218 days of programmed work has been completed, equating to 79% of the (revised) Internal Audit Plan for 2015/16.
- 3.3 The remaining work for the Internal Audit Plan 2015/16 is summarised as follows:
- The fieldwork / audit testing is underway for four audits, with work to be completed by 6 April 2016; Accountancy Services, Remittances, Key Controls & Assurance and IT Asset Management.
 - Three draft reports are due to be issued shortly; Performance Management, Accounts Receivable and Parking Services.
 - Two draft reports have been issued and are with management for comment; Risk Management and Sentinel Leisure Trust.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the definitions shown in the table below.

| | |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Substantial Assurance | Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| | |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | consistently applied. |
| Reasonable Assurance | Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks. |
| Limited Assurance | Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks. |
| No Assurance | Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks. |

- 4.2 Recommendations made on completion of audit work are prioritised using the definitions shown in the table below.

| | |
|-----------------|----------------------------------------------------------------------------------------|
| Urgent | Fundamental control issue on which action to implement should be taken within 1 month. |
| Important | Control issue on which action to implement should be taken within 3 months. |
| Needs Attention | Control issue on which action to implement should be taken within 6 months. |

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report Internal Audit Services have issued four final reports and two position statements. The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members from the Internal Audit Consortium Manager.
- 4.5 As a result of these audits 21 recommendations have been raised; no priority one (urgent) nine priority two (important) and 12 priority three (needs attention). All of these have been agreed by management. In addition three Operational Effectiveness Matters have been proposed to management for consideration.

4.6 In summary the four final reports issued conclude the following:

Corporate Governance – Data Protection and Freedom of Information

The scope of the Corporate Governance review for 2015/16 was to review the systems and controls in place within Data Protection Act (DPA) and Freedom of Information (FOI) to help confirm that these are operating adequately, effectively and efficiently. The audit concluded with a **reasonable** assurance, with one important and two needs attention recommendations agreed with management.

The important recommendation relates to re-introducing performance information/data, relating to FOI, DPA, EIR and complaints activities, into the corporate quarterly performance reports submitted to Executive Management Team and Scrutiny. Thus ensuring that performance in these areas can be adequately monitored.

It is worth noting that there are three outstanding recommendations from a previous review of this area which relate to; a regular review of policies that make up the IT security policy framework, a review of the data retention schedules, and periodic confirmation from department heads that they are complying with the Council's data retention schedules.

Council Tax and National Non-Domestic Rates

The scope of this review covered; valuation & billing records; billing; collection of income; suspense accounts; reconciliation to the general ledger; refunds & transfers; discounts, exemptions & reliefs; arrears recovery; and write offs. A **reasonable** assurance was awarded on conclusion of the audit, with five important and three needs attention recommendations agreed with management.

The five important recommendations relate to; (1) regular and consistent quality assurance work being undertaken by the team to ensure that issues are identified early on accounts & training can be agreed as necessary, (2) addressing performance in relation to making changes to accounts to ensure that accounts are correct & customers are billed accurately; (3) regular review of accounts in credit to ensure that the balance is transferred or refunded accordingly; (4) clear audit trails and retention of supporting information for empty properties are retained, thus ensuring that discounts remain valid; and (5) regular review of bailiff action, attachment of earnings and attachment of benefits to ensure that debt is recovered in a timely and efficient manner.

Housing Benefit and Council Tax Support

The scope of this review covered; procedures & legislation; receipt & assessment of applications; payments of Housing Benefits; overpayments, arrears & write offs; backdated claims; discretionary payments; appeals; and reconciliations. A **reasonable** assurance was awarded on conclusion of the audit, with one important and five needs attention (three of which have already been completed) recommendations agreed with management.

The important recommendation relates to; introducing training records for all staff which links to training needs that are identified as part of the quality assurance work, thus ensuring that gaps in knowledge are appropriately addressed and ensuring that sufficient training is provided in such a complex area.

Private Sector Housing – Disabled Facilities Grants and Discretionary Improvement Loans

The audit reviewed Disabled Facilities Grants (DFGs); Discretionary Improvement Loans provided through the Norfolk and Waveney Equity release scheme; and emergency loans

funded by the Council. The audit concluded with a **reasonable** assurance and two important and two needs attention recommendations were agreed with management.

The two important recommendations relate to; a local write off procedure being developed for the historic, outstanding unsecured loans where it has been concluded that it is very unlikely, if not impossible, to recover the loan amount, thus ensuring that focus is on those loans whereby it more likely to recover the amount; and agreeing arrangements between Private Sector & Housing Adaptions Team and the Local Land Charges Team to ensure that charges are correctly applied to on the register, thus ensuring that that grants and loans issued by the Council are secured and that these can be appropriately recovered at point of sale.

- 4.7 Position Statements have also been finalised in relation to Member Services and Business Continuity and Disaster Recovery. These are issued whereby it is important to review the current situation with a service and note action points for management to consider as part of the improvement journey.

Member Services

It is recognised that the Council has an intention of achieving Charter Mark status by December 2016 and required an independent view regarding the current situation and the requirements needed to obtain this status. The audit reviewed the adequacy, effectiveness and efficiency of the systems and controls in place over Member Services by undertaking a gap analysis against the requirements of the 'Charter Mark for Member Development'. This was undertaken by comparing the current processes in place against the Charter Mark criteria, and to provide suggestions to management to develop the processes, where applicable

Business Continuity / Disaster Recovery

Members are aware that the Council' is in the transitional stage in its work to align Business Continuity and Disaster Recovery management to accepted good practice. The objective of this audit was to determine the progress made by the Council with implementation of the refreshed Business Continuity and Disaster Recovery management system and to provide suggestions to management to enhance the process, where applicable.

- 4.8 It is pleasing to note that the audits concluded within this period resulted in a positive opinion being awarded, indicating strong and stable control environments for these services areas, with no issues that would need to be considered at year end and included in the Annual Governance Statement.
- 4.9 Finally, as part of the new contract with TIAA a Cross Authority review has been undertaken of the Accounts Payable services, the Council's involved in this review were; Breckland, North Norfolk & South Norfolk District Council's and Gt Yarmouth Borough Council.

The overall objective of the review was to identify where there are opportunities to generate savings in processing of transactions within the Accounts Payable function.

The review evaluates the arrangements at the Council in respect to Creditor Payments and those at three other Councils in the region to identify and share opportunities for good practice.

Key Points

- None of the Councils were significant outliers
- Opportunities identified for efficiencies in procurement
- All Councils made creditor payments within their target
- Variances existed in the analysis of payments made without a purchase order

6 points were raised on conclusion of the review:

1. The Council may wish to establish whether it has appropriate processes in place to minimize the risk of overpayments being made through Direct Debits.
2. The Council may wish to revisit its position regarding prompt payment discounts.
3. The Council may wish to communicate these performance indicators to demonstrate their commitment to the local community.
4. Whilst prompt payment of suppliers is required this should not be achieved at the expense of establishing why a purchase order was not raised.
5. The Councils may wish to consider putting in place a joint procurement process initially for stationary, printing and recruitment.
6. The Councils may wish to consider a joint analysis exercise on capital expenditure to identify any common suppliers, and potentially enter in to joint contracts.

Appendix 4 provides a summary of the results.

5. PERFORMANCE MEASURES

- 5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 13 indicators, over 4 areas. From the first year of the contract records will be maintained for all 13, however performance can only be recorded on 11 of these as base line data is required for the final 2. The performance measures can be seen at **Appendix 3**.
- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows (for the first year):
- 9-11 KPIs have met target = Green Status.
 - 5-8 KPIs have met target = Amber Status.
 - 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

- 5.3 The first three quarters work has been completed and a report on the performance measures provided to the Internal Audit Consortium Manager, performance is currently at green status with targets having been satisfactorily met for this quarter.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that work will be completed as expected, with further detail provided at paragraph 3.3 of this report.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

| Audit Area | Audit Ref | No. of days | Revised Days | Days Delivered | Status | Assurance Level | Recommendations | | | | Date to Committee |
|--------------------------------------------------------------------|-----------|-------------|--------------|----------------|--------------------------------------------------|-----------------|-----------------|-----------|-----------------|----|-------------------|
| | | | | | | | Urgent | Important | Needs Attention | Op | |
| Quarter 1 | | | | | | | | | | | |
| Homelessness and Housing Options | GY1601 | 10 | 10 | 10 | Final Report issued 5 August 2015 | Reasonable | 0 | 1 | 0 | 0 | 21 September 2015 |
| TOTAL | | 10 | 10 | 10 | | | | | | | |
| Quarter 2 | | | | | | | | | | | |
| Procurement | GY1603 | 12 | 12 | 12 | Final Report issued 27 November 2015 | Limited | 1 | 7 | 3 | 0 | 7 December 2015 |
| Planned and Responsive Maintenance and GY Norse contract | GY1605 | 18 | 22 | 22 | Final Report issued 20 November 2015 | Reasonable | 0 | 5 | 9 | 1 | 7 December 2015 |
| Neighbourhood Management / Community Development | GY1606 | 12 | 12 | 12 | Final Report issued 5 August 2015 | Limited | 2 | 3 | 8 | 1 | 21 September 2015 |
| Contract Management - GYB Services | GY1615 | 10 | 12 | 12 | Final Report issued 20 November 2015 | Reasonable | 0 | 5 | 6 | 4 | 7 December 2015 |
| Markets | GY1616 | 12 | 12 | 12 | Final Report issued 9 November 2015 | No assurance | 6 | 10 | 6 | 0 | 7 December 2015 |
| TOTAL | | 64 | 70 | 70 | | | | | | | |
| Quarter 3 | | | | | | | | | | | |
| Council Tax and National Non-Domestic Rates | GY1607 | 20 | 20 | 20 | Final Report issued 20 January 2016 | Reasonable | 0 | 5 | 3 | 2 | 29 March 2016 |
| Housing Benefits and Council Tax Support | GY1608 | 20 | 20 | 20 | Final Report issued 27 January 2016 | Reasonable | 0 | 1 | 5 | 1 | 29 March 2016 |
| Private Sector Housing - DFGs and discretionary improvement grants | GY1610 | 10 | 10 | 10 | Final Report issued 29 January 2016 | Reasonable | 0 | 2 | 2 | 0 | 29 March 2016 |
| TOTAL | | 50 | 50 | 50 | | | | | | | |
| Quarter 4 | | | | | | | | | | | |
| Corporate Governance and Risk Management | GY1602 | 8 | 8 | 7 | RM Draft Report issued | | | | | | |
| | | | | | CG Final Report issued 18 March 2016 | Reasonable | 0 | 1 | 2 | 0 | 29 March 2016 |
| Member Services, Training, Allowances & Expenses | GY1604 | 8 | 8 | 8 | Final Position Statement issued 24 February 2016 | | | | | | 29 March 2016 |

| Audit Area | Audit Ref | No. of days | Revised Days | Days Delivered | Status | Assurance Level | Recommendations | | | | Date to Committee |
|----------------------------------------------------------------|-----------|-------------|--------------|----------------|-----------------------------------------------|-----------------|-----------------|-----------|-----------|-----------|-------------------|
| Performance Management, Corporate Policy and Business Planning | GY1609 | 10 | 14 | 13 | Draft Report imminent | | | | | | |
| Key Controls and Assurance | GY1611 | 11 | 11 | 6 | Fieldwork underway | | | | | | |
| Accountancy Services | GY1612 | 17 | 17 | 4 | Fieldwork underway | | | | | | |
| Accounts Receivable | GY1613 | 10 | 10 | 9 | Draft Report imminent | | | | | | |
| Remittances | GY1614 | 8 | 8 | 6 | Fieldwork underway | | | | | | |
| Parking Services | GY1617 | 16 | 16 | 15 | Draft Report imminent | | | | | | |
| TOTAL | | 88 | 92 | 68 | | | | | | | |
| IT Audits | | | | | | | | | | | |
| Starters, Leavers and Joiners | GY1618 | 0 | 6 | 6 | Final Report issued 14 August 2015 | Reasonable | 0 | 5 | 2 | 1 | 21 September 2015 |
| Change Control and Patch Management | GY1619 | 0 | 6 | 6 | Final Report issued 13 November 2015 | Limited | 1 | 3 | 0 | 0 | 7 December 2015 |
| Network Security and Infrastructure | GY1620 | 0 | 10 | 10 | Final Report issued 20 November 2015 | Reasonable | 0 | 2 | 9 | 2 | 7 December 2015 |
| Business Continuity Planning / Disaster Recovery | GY1621 | 0 | 4 | 4 | Final Position Statement issued 21 March 2016 | | | | | | 29 March 2016 |
| IT Asset Management | GY1622 | 0 | 4 | 2 | Fieldwork underway | | | | | | |
| TOTAL | | 0 | 30 | 28 | | | | | | | |
| Follow Up | | | | | | | | | | | |
| Follow Up | GY NA | 14 | 14 | 10 | | | | | | | |
| Other work | | | | | | | | | | | |
| Contingency | GY TBC | 10 | 0 | 0 | | | | | | | |
| Sentinel Leisure Trust | GY1624 | 0 | 10 | 10 | Draft Report issued | | | | | | |
| TOTAL | | 24 | 24 | 20 | | | | | | | |
| | | | | | | | | | | | |
| TOTAL | | 236 | 276 | 218 | | | 10 | 50 | 55 | 12 | |
| | | | | | | | | | | | |
| Percentage of plan completed | | | | 79% | | | | | | | |
| | | | | | | | | | | | |

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of DPA and FOI

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| | Urgent | Important | Needs Attention | Operational |
|-------------|--------|-----------|-----------------|-------------|
| DPA and FOI | 0 | 1 | 2 | 0 |

SCOPE

The objective of the audit was to review the systems and controls in place within Data Protection Act (DPA) and Freedom of Information (FOI) to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'reasonable level' in managing the risks associated with the DPA and FOI Audit. The assurance opinion has been derived as a result of one 'important' recommendation and two 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Training is undertaken on a regular basis so that key officers and members are aware of their responsibilities in respect of the FOI and Data Protection Act.
- Responsibilities for data protection are clearly documented and assigned, in accordance with Council policies, with an appointed Data Protection Officer.
- The Council's registration with the Information Commissioner is up to date.
- The Council's Publication scheme was recently reviewed in November 2015 and is available on the Council's website.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings one 'important' recommendation has been made.

- Performance information containing FOI, DPA, and the Environment Information Regulations (EIR) data should be re-introduced into the corporate quarterly performance reports submitted to Executive Management Team (EMT) and Scrutiny. This will assist in the identification and mitigation of any poor performance and appropriate action can then be taken if necessary.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

- Associated policies relating to FOI, DPA and complaints need to be reviewed and updated as appropriate. Policies that have already been reviewed but not updated to this effect, such as for version control details, need amending to reflect this. This mitigates the risk that policies are incorrect and out of date.
- The Council's website needs to be updated to include the Council's FOI policy and FOI charging policy. This should minimise invalid requests being made and save member and officer time in responding to these.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which three remain outstanding. These were discussed with management and revised deadline dates agreed. The outstanding recommendations relate to a regular review of policies that make up the IT security policy framework, review of the data retention schedules, and periodic confirmation from department heads that they are complying with the Council's data retention schedules.

Assurance Review of Council Tax and National Non Domestic Rates (NNDR)

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| Control Area | Urgent | Important | Needs Attention | Operational |
|-----------------------------------|--------|-----------|-----------------|-------------|
| Valuation and Billing Records | 0 | 1 | 1 | 0 |
| Billing | 0 | 1 | 0 | 0 |
| Collection of Income | 0 | 1 | 0 | 0 |
| Discounts, Exemptions and Reliefs | 0 | 1 | 1 | 0 |
| Arrears Recovery | 0 | 1 | 0 | 1 |
| Write Offs | 0 | 0 | 1 | 1 |
| Total | 0 | 5 | 3 | 2 |

No recommendations were raised in the areas of suspense accounts, reconciliation to the general ledger, refunds and transfers.

SCOPE

The objective of the audit was to review the systems and controls in place within Council Tax and NNDR, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Level' in managing the risks associated with the Audit. The assurance opinion has been derived as a result of five 'important' recommendations and three needs attention' being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matter(s)', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- A review of reconciliations between Council Tax and NNDR records and Valuation Office records confirmed that these are being undertaken on a weekly basis and in a timely manner.
- System access rights are reviewed on a monthly basis by the Revenues System Team to take account of starters, role variations and leavers. The 2015/16 parameters were updated on the system in a timely manner and signed off.
- Council Tax payers are made aware of the various payment options through the Council's website and on the back of bills and reminders.
- Income is posted to the Council Tax and NNDR system on a daily basis and reconciled to the income collected.
- The total sample of unpaid direct debits reviewed were all updated on the accounts in a timely manner and appropriate action was undertaken.
- Council Tax and NNDR collection rates, set against targets, are reported to EMT on a quarterly basis.
- The items within the suspense accounts are posted to the relevant accounts in a timely manner.
- The refund batches are recorded and authorised correctly and in a timely manner.

Issues to be addressed

The audit has highlighted the following areas where five 'important' recommendations have been made.

Valuation and Billing

- Consistent and regular quality checking is required to ensure that that charges are being accurately and appropriately recorded within the system. Where issues are identified, training or other relevant action can then be taken.

Billing

- Performance in relation to the average number of days to complete changes to Council Tax accounts needs to be addressed and ways of improving this identified. This will ensure that accounts are brought up to date as a result of any changes in a timely manner, and will ensure that accounts are accurate, customers are billed correctly and complaints are reduced.

Collection of Income

- Credit balances should be regularly reviewed as part of the annual billing process, to mitigate the risk that credit balances remain on accounts for longer than necessary, whereas they could be transferred or refunded.

Discounts, Exemptions and Reliefs

- Reports used by the Visiting Officer to review empty properties, unoccupied caravan pitches and properties undergoing major work need to be centrally located and evidence of the visits needs to be retained, thus ensuring a clear audit trail of inspections and ensuring that discounts, exemptions and reliefs remain valid.

Arrears Recovery

- Bailiff monitoring, review of attachment of earnings and review of attachment of benefits needs to be undertaken regularly, to mitigate the risk that debts are not recovered in a timely manner leading to debts becoming irrecoverable and delaying cash flow.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Valuation and Billing

- The Council Tax and NNDR procedures are currently being reviewed by the Team, but as it is unclear when this review will be completed, a completion date needs to be agreed. This will ensure that the review of the procedures is finalised and that they are all up to date.

Discounts Exemptions and Reliefs

- The Non Domestic Rate Relief (NDRR) policy needs to be version controlled and signed and dated by the Group Manager – Customer Services to confirm this has been appropriately approved. In addition, rural rate relief needs to be included within the rate relief policies. This should mitigate the risk that the policies may not be up to date and incorrect versions are put into practice.

Write-offs

- The Council Tax and NNDR Recovery Policy requires updating to ensure that write-offs are approved correctly and are done so as per the requirements of the Constitution.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider, relate to applying sufficient diary notes to accounts to explain delay in recovery action and, maintaining supporting documentation for write-ons.

Review of Housing Benefit and Council Tax Support

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| Control Area | Urgent | Important | Needs Attention | Operational |
|--------------------------------------|--------|-----------|-----------------|-------------|
| Assessment of Applications | 0 | 1 | 1 | 0 |
| Payments of Housing Benefits | 0 | 0 | 0 | 0 |
| Overpayments, Arrears and Write Offs | 0 | 0 | 2 | 0 |
| Backdated Claims | 0 | 0 | 2 | 0 |
| Reconciliations | 0 | 0 | 0 | 1 |
| Total | 0 | 1 | 5 | 1 |

No recommendations were raised in the following areas: procedures and legislation, receipt of applications, discretionary payments and appeals.

SCOPE

The objective of the audit was to review the systems and controls in place within Housing Benefits and Council Tax Support, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the Audit. The assurance opinion has been derived as a result of one 'important' recommendation and five 'needs attention' recommendations being raised upon the conclusion of the work.
- The audit has also raised one 'operational effectiveness matter(s)', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

It was found that the Council has demonstrated the following points of good practice, as identified in this review and details of these operational provisions will be shared with other member authorities in the Consortium:

- The Council offers new applicants a fast track processing time. The fast track service is offered to the applicant, with all supporting documents, at the time of submitting the application. This is deemed as good practice which does not adversely affect the processing of other applications.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Team make use of the 'CPAG's Housing Benefit and Council Tax Benefit Legislation'; and the Guide to Housing Benefit' by Lister and Ward 2014-2017. In conjunction with these guides, there are several other in-house procedures accessible to all team members. The team also make use of Synergy, an online resource for all local authorities where Great Yarmouth Borough Council has its own section for procedures to be added. Synergy is also used for training purposes.
- System access rights of the Revenues and Benefits Team are reviewed on a monthly basis by the Revenues System Team, to check for starters and leavers and changes in access rights to ensure they are up to date and correct.
- Testing verified that the 2015/16 annual uplift had been applied as per the appropriate Housing Benefit circular. The Revenues Systems Team also ensures that the system is updated with system releases and patches and relevant changes such as the government minimum wage increase.
- System based controls ensure that provide accurate and valid calculation of benefits.
- Postal information is securely received, scanned onto the system and valuable items securely returned, with access to the post room only granted to the relevant staff working there.
- Sample testing confirmed that all claimant details, whether new claims or changes, were input correctly onto the Civica system.
- Local Housing Allowance (LHA) rates were updated on the benefits system in a timely and accurate manner.
- Sample testing confirmed that payments over the upper threshold (£1k) were all subject to independent review to ensure accuracy of the payment.
- Sample testing confirmed that rejected BACS payments were reviewed and updated in the benefits system in a timely manner.

- Reports are produced by the Sundry Debtors Team on a weekly basis for outstanding arrears balances which show the arrears stage and which are subject to independent review.
- Sample testing confirmed that for write-offs there is segregation of duties between the requesting officer and the approving officers. Sample testing confirmed that for discretionary applications valid applications were received with relevant supporting evidence for the discretionary payments to be made.
- The benefits system is reconciled to the Council Tax and general ledger systems on a monthly basis.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings one 'important' recommendation has been made.

Assessment of Applications

- Training records be commenced for all staff members which include a defined link between training needs identified from the quality checking process thus enabling staff to be trained to a sufficient level and the identification of any training gaps.

The audit has also highlighted the following areas where five 'needs attention' recommendations have been made.

Assessment of Applications

- The results of quality checks to be recorded on the Test Check form and as a diary entry to ensure an appropriate audit trail is in place and that appropriate action is taken to rectify any errors should they occur, thus ensuring the claim is correct.

Overpayment, arrears and write offs

- Errors found in classification form the sample reviewed to be rectified by the Team Leader, thus ensuring accurate classification and mitigating the risk of an incorrect subsidy claim
- To update the Write off Procedure for Housing Benefit Overpayments with correct officer job titles. This should include a review of the procedure to ascertain if any other parts need updating. Currently, the procedure contains historical job titles and is not version controlled to indicate when it was produced/last updated. Adequate version control should provide a clear audit trail so that documents can be used in the right context and mitigate the risk that out of date or incomplete documents are used.

Backdated Claims

- The information on the memo for backdated claims, including the decisions taken by assessors, to be completed in full. This will ensure there is appropriate evidence to justify the award of the backdate.
- To review the quality control system (QCS), in relation to the overpayment and backdated claim errors identified within this audit, to ascertain if these errors could have been detected and rectified at an earlier stage, ie.at the time the errors were made. This review should include whether the QCS can be updated to improve efficiency and effectiveness of quality checking. This would help mitigate similar errors in the future from occurring.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider, relates to authorised documents having the full name of the officer printed next to the actual signature, to ensure the officer checking and/or authorising can be identified and ensure the appropriate officer is undertaking this task.

Assurance Review of Private Sector Housing - DFGs and Discretionary Improvement Loans

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| Control Area | Urgent | Important | Needs Attention | Operational |
|---------------------------------|----------|-----------|-----------------|-------------|
| DFG | 0 | 1 | 2 | 0 |
| Discretionary Improvement Loans | 0 | 1 | 0 | 0 |
| Emergency Loans | 0 | 0 | 0 | 0 |
| Total | 0 | 2 | 2 | 0 |

SCOPE

The objective of the audit was to review the systems and controls in place within Private Sector Housing, in particular, Disability Facilities Grants (DFGs) and Discretionary Improvement Loans and Emergency Loans, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with Disabled Facilities Grant (DFGs) and Discretionary Improvement Loans. The assurance opinion has been derived as a result of two 'important' recommendation and two 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Grants/loans are awarded in accordance with relevant government legislation and local policies.
- Grants/loans are only awarded to eligible applicants in line with set criteria.
- Grants/loans are promptly processed and claimants notified of the outcome on a timely basis.
- Grants/loans are correctly calculated and approved by an authorised signatory.
- Council funded emergency loans are effectively controlled.
- The Council has evaluated the local need for grants/loans.
- For more complex work and as a result of the contractor procurement review, works will go out to tender to all seven approved contractors to demonstrate value for money considerations.

Issues to be addressed

The audit has highlighted the following areas where two 'important' recommendations have been made.

DFGs and Emergency Loans

- To produce a formal write off procedure for irrecoverable historic, outstanding unsecured loans, thereby reducing the risk of those loans appearing in the Council's accounts which could otherwise be cleared.
- Confirmation is obtained by the Private Sector Housing and Adaptations Team that requested local land charges are attached to properties. If local land charges are not attached to the properties, there is a risk that loan and grant amounts cannot be reclaimed through land charges, leading to financial loss for the Council. Obtaining confirmation from the Land Charges team would provide the Private Sector Housing Team with assurance that the charge had been applied.

The audit has highlighted has also highlighted the following areas where two 'needs attention' recommendations have been made.

DFGs, Discretionary Improvement Loans and Emergency Loans

- Updating the Council's website to include reference to the Private Sector Housing Adaptation and Improvement Policy. Where this policy is not published, there is a risk of the public not being aware of the availability of the grants and loans provided or the application process. This could lead to the Council either being unable to fill quotas or leading to grants and loan procedures and conditions not being complied with.
- The Council retains documented agreements from applicants in relation to DFG conditions. Where DFG conditions are not agreed with applicants, there is a risk that disputes will arise over grant and loan applications, leading to financial and reputational loss for the Council.

Position Statement – Members

Executive Summary

INTRODUCTION

1. This review was carried out in January 2015 as part of the planned internal audit work for 2015/16. As agreed with the Internal Audit Consortium Manager and Transformation Programme Manager, the outcomes of the review are being reported through a 'Position Statement' as opposed to a formal audit report. This is due to the Council's intention of achieving Charter Mark status by December 2016 and requiring an independent view regarding the current situation and the requirements needed to obtain this status. As such, no formal assurance opinion is stated and no recommendations have been raised, although several suggested actions/improvements have been stated. The previous report on Members (GY/12/05) was issued in September 2011. The report provided a Good assurance, with one medium and one low recommendation, both of which have now been completed.

SCOPE

2. The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over Members by undertaking a gap analysis against the requirements of the 'Charter Mark for Member Development'. This was undertaken by comparing the current processes in places against the Charter Mark criteria, and to provide suggestions to management to develop the processes, where applicable.

MATERIALITY

3. Members are a vital element of the Corporate Governance structure at Gt Yarmouth Borough Council (GYBC) with the development of members' capacity and capability being a core principle of the Code of Corporate Governance.

KEY FINDINGS

4. The review considered the evidence in place to verify current processes alongside observations and discussions held with the Transformation Programme Manager and Deputy Monitoring Officer. This information was compared with key documentation obtained from a District Council who has achieved the status of Charter Mark Plus.

REMAINING PLANNED WORK

5. The Transformation Programme Manager has confirmed an objective has been set to achieve the Charter Mark status by the end of 2016. As part of this, they will be liaising with a District Council who has obtained the status of Charter Mark Plus.

AUDIT OBSERVATIONS

6. The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls in place over Members by undertaking a gap analysis against the requirements of the 'Charter Mark for Member Development'.

The Charter Mark elements have four criterion:

1. There is a clear commitment to councillor development;
2. The council has a strategic approach to councillor development;
3. Learning and development is effective in building capacity; and
4. The council's processes support councillors in their role as leaders of their local communities.

The audit has concluded with a number of suggested action / improvements presented to management for consideration. These will help management to work towards achieving the desired Charter Mark status by the end of 2016.

Key suggested action / improvements include:

- Member Development Strategy;
- Member leads for member development;
- Develop member mentoring scheme;
- Produce a member development programme;
- Improvements to members induction programme and members handbook;
- Investigate regional and national learning networks;
- Update member role descriptions; and
- Provide the opportunity for councillors to provide feedback of learning and development received.

Position Statement – Business Continuity & Disaster Recovery

Executive Summary

INTRODUCTION

1. This review was carried out in February 2016 as part of the planned internal audit work for 2015/16. As agreed with the Internal Audit Consortium Manager; subsequent to issue of the Audit Planning Memorandum (APM), the outcomes of the review are being reported through a 'Position Statement' as opposed to a formal audit report. This is due to the Council's transitional stage in its work to align Business Continuity and Disaster Recovery management to accepted good practice. As such, no formal assurance opinion is stated and no recommendations have been raised, although in some areas, suggested actions/improvements have been included. The previous report on Business Continuity (BRK/13/15) was issued in April 2013. The report provided a Limited assurance, with ten recommendations being raised.

SCOPE

2. The objective of this audit was to determine the progress made by the Council with implementation of the refreshed Business Continuity and Disaster Recovery management system and to provide suggestions to management to enhance the process, where applicable.

MATERIALITY

3. Robust Business Continuity and Disaster Recovery Management is critical to ensuring seamless provision of priority Council services to the local community, following an incident.

KEY FINDINGS

4. The review considered the observations and suggested actions and improvements to be made from analysis of the systems and controls in place as well as those to be due to be implemented within the remaining planned work.

REMAINING PLANNED WORK

5. A review of the Council's Business Continuity & Disaster Recovery management system has commenced and is progressing well and ahead of forecasts set out in the management action plan of September 2015. Plan tests in conjunction with Disaster Recovery testing and a staff training programme remain outstanding as per the action plan of September 2015.

AUDIT OBSERVATIONS

6. The objective of the audit is to review the systems and controls in place to help confirm that these are operating adequately, effectively and efficiently. The audit covered:
 - A review of the current status of the work to develop an appropriate Business Continuity Management System; and
 - A review of the current status of Disaster Recovery.

The audit has concluded with a number of suggested action / improvements presented to management for consideration. These will help management to work towards full implementation of the Business Continuity Management System and to move forward on Disaster Recovery.

Key suggested action / improvements include:

- The plan templates to be updated to include reference to relevant hard copy procedure notes, forms and stationery requirements as they apply to each area in the absence of relevant IT systems.
- Relevant operational staff training around Business Continuity be drafted and implemented.
- Draft and agree an appropriate Business Continuity test plan and that these are formally documented in formal test reports after every test.
- Lessons learnt set out in test reports are incorporated into relevant Business Continuity Management documentation.
- Now that there is a Corporate Business Continuity plan, which documents the Council's key business priorities, discussions with Norfolk County Council should restart. The priority list should be used in the discussions to develop an appropriate Disaster Recovery plan that supports the priorities adequately. The plan is to include appropriate testing.

APPENDIX 3 – PERFORMANCE MEASURES

| Area / Indicator | Target |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| <u>Audit Committee / Senior Management</u> | |
| 1. Audit Committee Satisfaction – measured annually | Adequate |
| 2. Chief Finance Officer Satisfaction – measured quarterly | Good |
| <u>Internal Audit Process</u> | |
| 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter | 100% |
| 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter | 100% |
| 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) | 100% |
| 6. Compliance with Public Sector Internal Audit Standards | Full |
| 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received. | 100% |
| <u>Clients</u> | |
| 8. Average feedback score received from key clients (auditees) | Adequate |
| 9. Percentage of recommendations accepted by management | 90% |
| <u>Innovations and Capabilities</u> | |
| 10. Percentage of qualified (including experienced) staff working on the contract each quarter | 60% |
| 11. Number of training hours per member of staff completed per quarter | 1 day |
| 12. Number of high and medium priority recommendations made per quarter | To decrease over the life of the contract (from year 2) |
| 13. Number of audits which are considered to add value | To increase over the life of the contact (from year 2) |

APPENDIX 4 – CROSS AUTHORITY REVIEW SUMMARY

| Analysis of the number of payments made by banding | | | | | |
|----------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| 0 - 9 | 3% | 4% | 3% | 3% | 3% |
| 10 - 999 | 73% | 77% | 74% | 76% | 65% |
| 1000 - 9999 | 21% | 16% | 21% | 19% | 28% |
| 10000 + | 3% | 2% | 3% | 2% | 4% |

**Data does not include payments to Councils/Gov't/HMRC/refunds*

| Analysis of the number of payments made by type | | | | | |
|-------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Type of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| BACS | 89% | 87% | 91% | 84% | 92% |
| Cheques | 7% | 12% | 0.31% | 10% | 7% |
| DD | 5% | | 8% | 6% | 1% |
| Bank Transfer | 0.1% | 0% | 0.0% | 0.0% | 0.3% |
| Other | 0.2% | 1% | 0% | 0% | 0% |

| Analysis of the number of payments made for utility bills | | | | | |
|-----------------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Utilities Total | 521 | 858 | 265 | 550 | 410 |
| Percentage | 8% | 12% | 3% | 6% | 10% |

| Average payment time from date of receipt of invoice | | | | | |
|------------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Average Time: | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Average Number of Days | 24 | 22 | 27 | 22 | 24 |

| Number of payments made to East Anglia postcodes | | | | | |
|--------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Number | 3466 | 3615 | 3856 | 4467 | 1926 |
| Percentage | 48% | 45% | 48% | 53% | 47% |

| Analysis of the value of payments made by banding | | | | | |
|---------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| 0 - 9 | 0.01% | 0.02% | 0.01% | 0.01% | 0.01% |
| 10 - 999 | 13% | 14% | 13% | 13% | 10% |
| 1000 - 9999 | 46% | 41% | 48% | 42% | 52% |
| 10000 + | 41% | 45% | 38% | 44% | 38% |

**Data does not include payments to Councils/Gov't/HMRC/refunds*

| Analysis of the value of payments made by type | | | | | |
|------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Type of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| BACS | 92% | 91% | 91% | 88% | 96% |
| Cheques | 4% | 8% | 0.15% | 5% | 3% |
| DD | 5% | | 9% | 7% | 0.1% |
| Bank Transfer | 0.1% | 0% | 0% | 0% | 0.6% |
| Other | 0.2% | 1% | 0% | 0% | 0% |

| Analysis of the value of payments made for utility bills | | | | | |
|----------------------------------------------------------|--------------|---------------|---------------|----------------|--------------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Utilities Total | £ 393,787.94 | £ 256,575.24 | £ 342,047.67 | £ 761,285.01 | £ 215,243.85 |
| Percentage | 4% | 3% | 3% | 7% | 3% |

| Analysis of the value of payments made by transaction cards | | | | | |
|-------------------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Type of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Transaction Cards* | 2% | - | 1% | 1% | 3% |

**Transaction card data not listed elsewhere*

| Value of payments made to East Anglia postcodes | | | | | |
|-------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Value | £ 4,374,443.61 | £ 4,678,478.16 | £ 4,804,735.30 | £ 4,612,630.26 | £ 3,401,930.73 |
| Percentage | 47% | 54% | 45% | 45% | 45% |

| Number of payments processed without a purchase order | | | | | |
|-------------------------------------------------------|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Number | 2764 | 2553 | 2519 | 5252 | 731 |
| Percentage | 37% | 35% | 31% | 62% | 18% |

| Number of local suppliers used | | | | | |
|------------------------------------|----------|---------------|---------------|----------------|-----------|
| Number of local suppliers used | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| East Anglian | 61% | 60% | 61% | 58% | 64% |
| Within Councils' Boundaries | 33% | 31% | - | - | 34% |

| Value of payments processed without a purchase order | | | | | |
|------------------------------------------------------|----------------|----------------|----------------|----------------|--------------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Value | £ 3,547,525.81 | £ 2,770,157.21 | £ 3,439,090.57 | £ 7,166,912.92 | £ 813,942.52 |
| Percentage | 32% | 12% | 33% | 70% | 11% |