Audit and Governance Committee Report

3 July 2014

Report of **Interim Audit Manager**

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To: Audit and Governance Committee

DATE: 3 July 2014

Internal audit activity report quarter one 2014/2015

Recommendation

That members note the content of the report

Purpose of Report

1.   The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.

2   The contact officer for this report is Craig Pullen, Interim Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic Objectives

3.   Managing our business effectively.

Background

4.   Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes

the achievements of the Council's objectives. It assists the Council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

2013/2014 Audit Reports

7. Since the last Audit and Governance Committee meeting, the following audits and follow up reviews have been completed:

Completed Audits

Full Assurance: 3
Satisfactory Assurance: 2
Limited Assurance: 2
Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Cash Office 13/14	**Satisfactory**	**5**	0	0	2	2	3	3
HR Grievance	**Full**	**0**	0	0	0	0	0	0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Procedures 13/14								
Pro-Active Anti-Fraud Review 13/14	Full	0	0	0	0	0	0	0
Sundry Debtors 13/14	Satisfactory	2	0	0	1	1	1	1
Treasury Management 13/14	Full	1	0	0	0	0	1	1
The Beacon 13/14 (formerly Wantage Civic Hall) (Appendix 1)	Limited	8	3	3	3	3	2	2
Temporary Accommodation 14/15 (Appendix 2)	Limited	7	1	1	2	2	4	4

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Brown Bins 13/14	Full	1	1	0	0	0
Environmental Health Food & Safety 13/14	Satisfactory	6	3	1	1	1
Health & Safety 13/14	Satisfactory	4	1	0	0	3
Licensing 13/14	Limited	15	9	0	1	4
Post Room 13/14	Satisfactory	4	4	0	0	0
RIPA 13/14	Full	3	1	1	0	1

8. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.

9. A copy of each report has been sent to the appropriate service manager, the relevant strategic director, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.

10. Internal audit continues to carry out a six month follow up on all non-financial and non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Outstanding Recommendations

11. From May 2014, a new initiative has been introduced whereby internal audit monitors all audits from 2010/11 onwards for which there are still outstanding recommendations. Schedules were sent to all appropriate Heads of Service and Service Managers in June 2014 to provide an up to date position for each recommendation. Internal Audit will then undertake sample checks on the reported positions to ensure that they are accurate. An updated schedule will be provided at the meeting.

Financial Implications

12. There are no financial implications attached to this report.

Legal Implications

13. None.

Risks

14. Identification of risk is an integral part of all audits.

CRAIG PULLEN
INTERIM AUDIT MANAGER

THE BEACON (FORMERLY WANTAGE CIVIC HALL) 2013/14

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to Wantage Civic Hall. The audit has been undertaken in accordance with the 2013/2014 audit plan agreed with the audit and governance committee of Vale of White Horse District Council (VWHDC). The audit has a priority score of 14. The audit approach is provided in the audit framework in Appendix 1.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- Appropriate policies and procedures are in place for the management of Wantage Civic Hall, with roles and responsibilities for all operational functions clearly assigned.
- Adequate management arrangements are in place for the provision of bar service and café, including stock control.
- There is an appropriate mechanism to manage bookings.
- Adequate arrangements are in place for receipt of income, processing refunds and the collection of cash and banking.
- Adequate reconciliation and monitoring processes are in place for income and expenditure.
- Adequate safety and security arrangements are in place for officers and council assets.
- Sufficient management information is available to support performance.

2. BACKGROUND

2.1 Wantage Civic Hall has four rooms, which are available to hire for meetings and functions or events. A café area with free Wi-Fi access is open throughout the day which serves hot and cold drinks and light refreshments and a bar which is opened on request. Wantage Civic Hall now offers a cinema night once a month.

2.2 Wantage Civic Hall is staffed with the following officers:-
- 1 x full-time team leader;
- 2 x full-time duty officers;
- 1 x part-time assistant duty officer;
- 1 x part-time promotions officer;
- 1 x part-time customer services officer;
- 1 x part-time cleaner;
- 2 x casual duty officers.

2.3 On the 1 April 2014, Wantage Civic Hall officially changed its name to the Beacon with the four rooms having their names changed too.

3. PREVIOUS AUDIT REPORTS

3.1 Wantage Civic Hall was last subject to an internal audit review in January 2013 and 20 recommendations were raised. All 20 recommendations were agreed. A limited assurance opinion was issued.

3.2 Of the 20 recommendations, 15 have been implemented and five recommendations have not been implemented. Five recommendations have been restated as a result of our work in this area (Recs 4, 5, 6, 7 & 8).

4. 2013/2014 AUDIT ASSURANCE

4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2 Eight recommendations have been raised in this review. Three high risk, three medium risk and two low risk.

5.   **MAIN FINDINGS**

5.1   **Policies and procedures**

5.1.1   Internal audit established that a business case consultant is currently contracted up and till the end of March 2014 to update all operational procedures and build a programme of regular events. Internal audit noted that one of their roles is to review all of the procedures. Internal audit established that roles and responsibilities are clearly assigned within job descriptions for each of the posts. One recommendation has been restated as a result of our work in this area (Rec 4).

5.2   **Bar service and café**

5.2.1   Internal audit established that agreed processes are in place for both the bar and café. During events and functions, it was found that the bar is now staffed by civic hall staff and at least two members of staff are present at all times. Internal audit noted that the team leader has a personal license.

5.2.2   Internal audit established that the stock records are in place for bar and café stock. Internal audit reviewed the stock records and was satisfied with the information included onto the stock records and that regular checks are undertaken. No recommendations have been made as a result of our work in this area.

5.3   **Bookings**

5.3.1   Internal audit established that an agreed process is in place for hiring facilities. The fees are available to the public via the website. Internal audit established that regular users are treated the same as ad-hoc users with the exception that regular users are invoiced once month. Having reviewed 10 users (five ad-hoc and five regular), internal audit found that two users hire rooms at a rate not in line with the agreed fees. One recommendation has been made as a result of our work in this area (Rec 1).

5.4   **Receipt of income, refunds and banking**

5.4.1   Internal audit established that income is received from the café, bar and front desk. Payments for bookings are recorded on the daily transaction sheets. Internal audit noted that as of 1 April 2014, cashing up the tills and banking is carried out daily. Prior to the 1 April 2014, cashing up and banking was undertaken weekly. Having reviewed both weekly and daily cashing up sheets, internal audit was satisfied to see that cashing up and banking has improved since moving to daily from weekly as a few discrepancies were found on the weekly cashing up sheets, while none were found on the daily cashing up sheets. Internal audit noted that two officers drop the cash off at the bank at the end of each day.

5.4.2   Internal audit found that petty cash is held securely in a locked filing cabinet. Internal audit cashed up the petty cash and established that only 89 pence was in the petty cash tin. It was noted that they had run out of petty cash vouchers; therefore the receipts in the petty cash tins could not be reimbursed at VWHDC cash office. Internal audit reviewed the receipts in the petty cash tin and found that stationary items were brought through petty cash. Internal audit noted that VWHDC have a contract with Lyreco to purchase all stationary items through them or the council will lose the discount offered. Two recommendations have been made as a result of our work in this area (Recs 2 & 3).

5.5   **Monitoring of income and expenditure**

5.5.1   Internal audit established that there is no reconciliation to monitor income and expenditure against the general ledger, but found that there are other ways of monitoring to compensate that. Income and expenditure is monitored through graphs and charts, which clearly shows if they are in line with the annual budget set. Internal audit also established that the budget monitoring reports are reviewed and variances explained. No recommendations are have been made as a result of our work in this area.

5.6   **Safety and security**

5.6.1   Internal audit established that health and safety checks are undertaken on a regular basis by both in-house staff and external contractors. Fire drills are undertaken on a regular basis and internal audit established that the Wantage Town Council staff still do not participate. All staff

based at Wantage Civic Hall have had first aid training.

5.6.2   Internal audit reviewed the insurance certificates and established that the safe at Wantage Civic Hall is insured for monies kept overnight. Internal audit observed and was satisfied that appropriate security measures are in place at the civic hall. Internal audit established that an inventory is kept and updated regularly. One recommendation has been restated as a result of our work in this area (Recs 6).

5.7   **Management information**

5.7.1   Internal audit established that performance points are in place giving management information on how the civic hall is performing throughout the year. Comparison with previous years has also been made and internal audit was satisfied that bookings and income has increased from previous years. Internal audit found that comment and complaints have also been satisfactorily resolved in a timely manner. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

BOOKINGS

1. Regular users   **(Low Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All regular users are being charged the approved fees and discount for hiring rooms. <u>Findings</u> Internal audit tested a sample of five regular users and established that two regular users are not paying the agreed room rate and discount. <u>Risk</u> If all regular users are not paying the agreed room rate and discount, there is a risk that the council is not maximising its income.	Consideration should be given to ensuring that all regular users are charged the agreed room rate and discount.	Team leader (The Beacon)
Management Response		**Implementation Date**
Recommendation is **Agreed** As part of the re-launch we are in process of reviewing all regular room hire agreements and rates. Expected completion in July when current bookings run their course. Management response: Team leader (The Beacon)		31 July 2014

RECEIPT OF INCOME, REFUNDS AND BANKING

2. Cashing up   **(Low Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Cashing up is undertaken and recorded appropriately with both the officer cashing up and the officer checking signing the cashing up spreadsheet. <u>Findings</u> Internal audit established that from the 1 April 2014, the cashing up process had changed from weekly cash ups to daily cash ups. Although internal audit was satisfied with the new daily cash up and found no discrepancies, discrepancies were found during the review of the weekly cash up. At the time of the audit, internal audit could not give an assurance with the daily cash up as there were not enough cash ups undertaken to review and give an opinion. <u>Risk</u> If cashing up is not undertaken or recorded appropriately, there is a financial risk to the council as monies can go missing or get stolen without knowledge.	Checks are carried out to ensuring that cashing up of tills continues to be undertaken & recorded appropriately.	Team leader (The Beacon)

Management Response	Implementation Date
Recommendation is **Agreed** To continue with new cashing up procedure and make evidence available to audit as required Management response: Team leader (The Beacon)	Ongoing

3. Petty cash   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All stationery items are purchased through Lyreco. <u>Findings</u> Internal audit reviewed the petty cash receipts and established a couple of stationery items were brought via petty cash. Internal audit noted that the council have a contract to purchase all stationery items through Lyreco and would lose their discount if found purchasing stationery from elsewhere. <u>Risk</u> If stationery items are purchased through Lyreco, there is a risk the council will lose its discount if found to have brought from somewhere else.	A reminder should be given to staff that all stationery is purchased from Lyreco, whom the council have a stationery contract with.	Team leader (The Beacon)

Management Response	Implementation Date
Recommendation is **Agreed** This was a one off event that occurred during staff holiday, in order to prevent recurrence additional staff have been trained in ordering from Lyreco and on Agresso so they can raise a purchase order for stationary as required. Management response: Team leader (The Beacon)	Implemented

PREVIOUS RECOMMENDATIONS CARRIED FORWARD

4. Procedures   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Up to date procedures are in place and available to relevant officers covering all processes at Wantage Civic Hall. <u>Findings - 2012/2013</u> A hardcopy procedure manual from June 2010 is in use at Wantage Civic Hall. Procedures were partly updated in January 2012 but are only held electronically. It is acknowledged that there are plans to complete the review of procedures but there appears to have been limited progress on this in recent months. Procedures still to be updated include lone working arrangements and procedures are lacking for the provision of the café service and bar services.	Procedures should be provided to all officers which are:- a) Up to date. b) Comprehensive to encompass all processes including the provision of café and bar services.	Business case consultant

Findings - 2013/2014 Internal audit established that a consultant has been hired and one of their tasks is to update all the procedures at Wantage Civic Hall. At the time of the audit, the procedures were still be updated. Risk If procedures do not cover all processes it may prove difficult to provide cover and continued service should there be of unplanned absences of key staff.		

Management Response - 2012/2013	Implementation Date
Recommendation is **Agreed** All procedures are being reviewed and new ones created where gaps have been identified. An action plan has been developed to enable all staff to have input into the review process, and a log devised for them to sign when they have read and understood the procedures. The procedures are being regrouped to make the manual more user friendly and a hard copy will be available in the Wantage Civic Hall office where all staff can access them. Management response: Partnership Development Officer (Leisure)	New procedures in place by 31 March 2013. Full review and regrouping complete by 31 March 2014.

Management Response - 2013/2014	Implementation Date
Recommendation is **Agreed** A further review of procedures is being undertaken by business case consultant following the staffing restructure and introduction of new equipment and activities - to be completed by the end of contract. Management response: Team leader (The Beacon)	31 May 2014

5. Town council usage   (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Usage of the civic hall by Wantage town council should be regularly reviewed to ensure it is reasonable and an adequate contribution is made towards costs for the offices and for meetings. Furthermore the district council should not be liable for additional expenses when allowing the town council free use of Wantage Civic Hall for events. Findings - 2012/2013 An agreement from 1977 allows for 50 town council meetings per year and an office space for the town council use. It is understood that there are plans for the agreement to be reviewed and discussed and these plans are supported by internal audit. Whilst the town council contributes towards heating and lighting for the office space they occupy this does not appear to compensate the council for the heating and lighting of the rooms for the 50 council meetings per year.	a) The agreement for future use of Wantage Civic Hall by the Town council should be regularly reviewed and updated. b) The contribution towards heating and lighting should be reviewed to consider if this should also include the use of the rooms for town council meetings in addition to the office space. c) The usage of Wantage Civic Hall for the ten events should be reviewed with a view to obtaining agreement that any additional expenses incurred in hosting the event should be paid including a fee if external bar/catering staff are utilised.	Partnership development officer (leisure)

| An additional 10 usages are to be provided free of charge for events organised by the town council within the agreement and an undated memo that appears to be of some age sets out that each financial year there can be:-
• A craft show;
• King Alfred's awards;
• A civic ball;
• A carol service ;
• Six further events.
A letter from the town council regarding the additional events lists six between 02/06/2012 to 27/04/2013.

When an event is booked under the ten 'free events' for Wantage town council any additional expenses incurred by Wantage Civic Hall such as additional casual duty officers, casual bar staff or staff staying extra hours to tidy up after an event is not recompensed. Even if it is agreed that contractors can be used to provide the bar service and or catering for events duty officers are still required to manage the event and to tidy up afterwards.

<u>Findings - 2013/2014</u>
Internal audit established that Cllr Elaine Ware is currently negotiating with Wantage Town Council in agreeing a new agreement.

<u>Risk</u>
If usage of the offices and rooms by the town council is not regularly reviewed then the district council may be not just be providing the facility free of charge but at a loss. | | |

Management Response - 2012/2013		Implementation Date
Recommendation is **Agreed in Principle** Cabinet is aware of the issue and as part of the fit for the future action plan is to negotiate a new agreement with Wantage Town Council ready for April 2013. In addition, officers are in the process of negotiating costs for town council events where the district council incurs additional costs. Management response: Partnership Development Officer (Leisure)		31 March 2013
Management Response - 2013/2014		**Implementation Date**
Recommendation is **Agreed in Principle** Negotiations with Wantage Town Council are ongoing, with Cllr Elaine Ware acting on behalf of The Beacon. Management response: Team leader (The Beacon)		Ongoing

6. Credit/debit card payments   (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Procedures for processing debit/credit cards should be comprehensive.	Procedures for processing debit/credit cards should be updated to include:-	Business case consultant

Findings - 2012/2013 The procedures for the processing of credit/debit card payments do not include:- • An explanation of how the code 10 call is used if there are suspicions about the cardholder; • Details such as there may be a need to obtain telephone authorisation; • Refunds should only be made to the card that made the original payment • Details of how to use the credit/ debit card terminal. Findings - 2013/2014 Internal audit established that a consultant has been hired and one of their tasks is to update all the procedures at Wantage Civic Hall. At the time of the audit, the procedures were still be updated. Risk If procedures do not cover all aspects of processing credit/debit card transactions then officers may unknowingly take inappropriate actions such as refunding to a card that did not make the original payment.	a) An explanation of how the code 10 call is used if there are suspicions about the cardholder. b) Details such as there may be a need to obtain telephone authorisation. c) Refunds should only be made to the card that made the original payment. d) Details of how to use the credit/debit card terminal.

Management Response - 2012/2013	Implementation Date
Recommendation is **Agreed** The procedures for processing debit/credit cards are included in the procedures action plan to be reviewed and updated. Management response: Partnership Development Officer (Leisure)	31 March 2013

Management Response - 2013/2014	Implementation Date
Recommendation is **Agreed** Review of procedures being undertaken by business case consultant as stated in point 4 above. Management response: Team leader (The Beacon)	31 May 2014

7. Fire evacuation drill   (High Risk)

Rationale	Recommendation	Responsibility
Best Practice All persons present at the civic hall during an evacuation should take part in the drill and any problems identified should be addressed. Findings - 2012/2013 The evacuation drill at the civic hall 04/12/12 records that the Wantage Town Council staff who use offices at Wantage Civic Hall did not respond to the drill but no action to address this was noted. Findings - 2013/2014 The team leader stated that Wantage	Any problems identified on the fire evacuation drills should be addressed and details recorded. This includes advising Town Council and other regular users that they should take part in any evacuation drill.	Team leader (The Beacon)

Town Hall staff still do not respond to the fire evacuation drill. It is also noted that this will be included as part of the new agreement currently discussed with Cllr Elaine Ware. Risk If regular users of Wantage Civic Hall do not take part in the evacuation drills then any issue with their safe evacuation of the building may not be identified.		
Management Response - 2012/2013		**Implementation Date**
Recommendation is **Agreed** Results of all fire evacuation drills and any problems identified will now be recorded centrally and emailed to the Facilities Team to be actioned. Tenants have been informed of the fire evacuation procedures and the need to take part in any evacuation drill. We are seeking the advice of the health and safety advisor and the property team to check if failure to comply with health and safety instructions amounts to a breach of their tenancy agreement. Management response: Partnership Development Officer (Leisure)		31 March 2013
Management Response - 2013/2014		**Implementation Date**
Recommendation is **Agreed** Results of all fire evacuation drills and any problems identified are now being recorded centrally and emailed to the Facilities Team to be actioned. Tenants have again been informed of the fire evacuation procedures and the need to take part in any evacuation drill. Further action will be taken if they do not comply with this. Management response: Team leader (The Beacon)		31 May 2014

8. Keys   **(High Risk)**

Rationale	Recommendation	Responsibility
Best Practice The council should have ready to hand a listing of all keys and who they are held by. Any surrender of keys should be recorded formally. Findings - 2012/2013 As officers receive keys for Wantage Civic Hall they sign for them together with a declaration covering their use. A recently surrendered master key was not signed back in and dated but instead the new holder of the key signed for it on the original key holders form. It is not easy to establish how many keys exist and who holds them without sorting through the sheets. Six new keys had been obtained and whilst the invoice was retained there was no record of where these keys were held. Findings - 2013/2014 Internal audit established that the key audit is currently ongoing. Risk If the council cannot identify who holds	A register of keys should be produced and updated so it can quickly be ascertained who holds them and where any spares are located.	Team leader (The Beacon)

master keys for the civic hall and where spares are held then they may not be complying with insurance requirements.		
Management Response - 2012/2013		**Implementation Date**
Recommendation is **Agreed** A complete list of key holders has been produced and all keys signed for. Any additional spare keys are kept in the safe. Management response: Partnership Development Officer (Leisure)		Immediately
Management Response - 2013/2014		**Implementation Date**
Recommendation is **Agreed** During When audit visited, we were in the process of a key audit whilst moving keys to the newly installed secure key box. All work is now complete. Management response: Team leader (The Beacon)		Implemented

TEMPORARY ACCOMMODATION 2014/2015

1. INTRODUCTION

1.1   This report details the internal audit review of procedures, controls and the management of risk in relation to temporary accommodation, including rent in advance, rent deposit bonds and rent accounting. The audit has been undertaken in accordance with the 2014/2015 audit plan agreed with the audit and governance committee of Vale of White Horse District Council (VWHDC). The audit has a priority score of 14. The audit approach is provided in the audit framework in Appendix 1.

1.2   The following areas have been covered during the course of this review to provide assurance that:

- there are suitable strategies, policies and procedures supporting temporary accommodation arrangements, rent in advance and rent deposit schemes.
- temporary accommodation is appropriately managed in accordance with legislation and agreed processes with decisions appropriately made, documented and authorised.
- there are appropriate arrangements in place for the rent in advance and rent deposit schemes.
- rent accounts are suitably maintained and regularly reviewed.
- income is appropriately processed and reconciled.
- arrears are appropriately monitored and managed.
- temporary accommodation and rent accounting is accurately reported.

2. BACKGROUND

2.1   Procedures and processes relating to temporary accommodation are the responsibility of the housing needs team as the council is required to deal with homeless persons (as covered in parts VI and VII of the 1996 Housing Act and the Homelessness Act 2002).

2.2   The Abritas system is a software package used by housing to record tenants rent accounts including temporary accommodation. The system provides an accounting function therefore rent accounts are not recorded on the Agresso system.

3. PREVIOUS AUDIT REPORTS

3.1   Homelessness & temporary accommodation was last subject to an internal audit review in January 2008 and rent accounting was last subject to an internal audit review in September 2008. 11 recommendations were made in total (one for homelessness & temporary accommodation, and 10 recommendations for rent accounting). No assurance was given for homelessness & temporary accommodation, and a limited assurance opinion was given for rent accounting. In 2011/2012, the head of health & housing requested an ad-hoc review of housing debt management to be undertaken, which was undertaken in June 2011 and five recommendations were made. A satisfactory assurance opinion was given. Of the 16 recommendations, 15 recommendations were agreed.

3.2   Of the 15 recommendations, two have been implemented and 13 are no longer applicable and have been superseded with the findings made in the current audit review. No recommendations have been restated as a result of our work in this area.

4. 2014/2015 AUDIT ASSURANCE

4.1   **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2   Seven recommendations have been raised in this review. One high risk, two medium risk and four low risk.

5. MAIN FINDINGS

5.1   Strategy, policies and procedures

5.1.1   Internal audit established that a homelessness strategy is currently not in place. The strategy is currently in the service plan to be undertaken in 2014/2015 and a consultant is in place to undertake the development of the strategy.

5.1.2   Internal audit established that policies and procedures are in place and available to all relevant staff via the network drive. Having reviewed the policies and procedures, internal audit found that they are in line with legislation, but require updating and are not version controlled. Two recommendations have been made as a result of our work in this area (Recs 1 & 2).

5.2   Temporary accommodation in accordance with legislation

5.2.1   Internal audit established that the process for reviewing an applicants' homeless status is documented and in place. Internal audit reviewed a sample of 10 homeless applications and was satisfied all applicants had a priority needs decision made, and all supporting documentation was attached to their account on the Abritas system.

5.2.2   Internal audit established that temporary tenants have limited rights as they have a licensing agreement with the council. Internal audit noted that legislation is in place on giving tenants, including temporary tenants, rights on suitable living standards on accommodation. Internal audit viewed one of the council-owned properties and established that the property is not fit for purpose. Internal audit is satisfied though that regular health and safety checks are carried out. One recommendation has been made as a result of our work in this area (Rec 3).

5.3   Rent in advance and rent deposit bonds

5.3.1   Internal audit found that an appropriate process is in place for both rent in advance and rent deposit bond tenants. Internal audit reviewed a sample of 10 tenants and established that all 10 tenants met the criteria for obtaining a rent in advance and rent deposit bond. All tenants signed the rent in advance repayment form and deposit bond agreement, and all tenants have a folder set up with all correspondences on the housing needs' network drive. No recommendations have been made as a result of our work in this area.

5.4   Rent accounts

5.4.1   Internal audit established that the council use the Abritas system for recording tenants' details and rent accounting. Internal audit reviewed 10 temporary tenants, established that all tenants were appropriately recorded on the system along with all supporting information being attached and that all tenants were correctly charged. No recommendations have been made as a result of our work in this area.

5.5   Income

5.5.1   Internal audit established that income is monitored through the budget monitoring reports, which the accountancy team send out on a monthly basis. Internal audit found that income is received for both council-owned temporary accommodation and 1st stage nightly charge, from the tenants and/or housing benefits, and having reviewed the budget monitoring report, internal audit could not differentiate between them as they were all included in one cost centre code.

5.5.2   Internal audit established that an income reconciliation is currently not being undertaken. It is noted that due to the departure of the officer previously undertaking the reconciliation and the limited resources that were available at the time, the reconciliation was put on hold. Two recommendations have been made as a result of our work in this area (Recs 4 & 5).

5.6   Arrears

5.6.1   Internal audit established that current rent arrears are £32,356.68 and recovery of debt is not undertaken due to the lack of resources within the housing needs team. Internal audit noted that both current debts and aged debts are discussed to establish the next process. Having reviewed the aged debt spreadsheet, internal audit established that there were amounts less

that £80.00, which is not viable to send to legal services for recovery. Two recommendations have been made as a result of our work in this area (Rec 6 & 7).

5.7   **Performance reporting**

5.7.1   Internal audit established that performance points are in place and reported to the Strategic Management Board and Cabinet on a monthly basis. Internal audit noted that the P1E is required to be submitted to the Department for Communities and Local Government on a quarterly basis. Internal audit is satisfied with the information submitted as the report is automatically produced from the Abritas system. No recommendations have been made as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

STRATEGIES, POLICIES AND PROCEDURES

1. Homelessness strategy   **(Medium Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> The council has in place an up-to-date & comprehensive homelessness strategy in place. <u>Findings</u> Internal audit established that currently a homelessness strategy is not in place as the last the strategy expired in 2013. <u>Risk</u> If a homelessness strategy is not in place, there is a risk of officer not knowing the strategy on dealing with homeless cases.	A homelessness strategy should be in place as it is a requirement of the Homelessness Act 2002.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Completion of the Homelessness Strategy is an objective in the current service plan. A project plan is in progress to complete the Strategy by October 2014 Management response: Housing Needs Manager		October 2014

2. Policies & procedures   **(Low Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All policies and procedures relating to temporary accommodation, rent deposit bonds & rent in advance are up-to-date and version controlled. <u>Findings</u> Internal audit reviewed the policies and procedures, and established that they were not up-to-date or version controlled. <u>Risk</u> If policies and procedures are not up-to-date, there is a risk of officers not working in compliance with current housing legislation.	All policies and procedures should be reviewed, updated and version controlled.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** A review and updating of all TA policies and procedures is included within the DPR for the Lettings Team Leader. Management response: Housing Needs Manager		December 2014 (fully implemented)

TEMPORARY ACCOMODATION LEGISLATION REQUIREMENTS

3. Council owned properties   (High Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All properties owned by the council are in line with the Housing Act 2004. <u>Findings</u> Internal audit viewed 39 Grove Street and established that the house has damp and mould. If a tenant lives in a property with damp and mould there is a risk to their health, which is not in line with the Housing Act 2004. <u>Risk</u> If the properties are not to standard, there is a risk that the tenants can sue the council.	A decision is made on the properties on Grove Street to either sell or renovate as the properties are currently in poor condition.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** A further review of temporary accommodation stock, including a decision to sell or renovate Grove Street, is commencing shortly. Management response: Housing Needs Manager		TBC – depends upon the timescale of the review.

INCOME

4. Income differentiation   (Low Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All supporting documentations are attached to the tenant's account on the Abritas system. <u>Findings</u> Internal audit reviewed the budget monitoring report and could not differentiate between:- • Housing benefit payments; • 1st stage nightly charge; • Council owned temporary accommodation income. All three are coded to the same cost centre code HM31-9401. <u>Risk</u> If income is not split, there is a risk of service areas not being able to monitor income appropriately.	Consideration should be given in establishing if it is to possible to split:- 1. income received from both housing benefits & tenant, and 2. income for council-owned temporary accommodation & 1st stage nightly charge to make it clearer and easier to monitor.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** I have a meeting with Accounts on 7 July to discuss differentiating types of income with different budget codes. Management response: Housing Needs Manager		TBC following Accounts meeting

5. Income reconciliation   (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice All supporting documentations are attached to the tenant's account on the Abritas system. Findings The housing needs manager stated that the income reconciliation was previously carried out by the housing needs officer (Andrew Ochia), but when he left last year, the reconciliations also stopped due to the lack of resources. The housing needs manager also stated that he is due to have a meeting with the principal accountant (Paul Sheppard) and is due to raise this with him, to establish if accountancy require them to undertake a reconciliation. Risk If the income reconciliations are not undertaken, there is a risk of inadequate monitoring of income.	Consideration should be given in resurrecting the income reconciliation between the Abritas system and general ledger.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Reconciliations will recommence following the accounts meeting on 7 July. Management response: Housing Needs Manager		August 2014

ARREARS

6. Recovery process   **(Medium Risk)**

Rationale	Recommendation	Responsibility
Best Practice All tenants in arrears are put through the recovery process to recoup the debt. Findings Internal audit established that tenants in arrears were not put through the recovery process as there was a lack of resource in the housing needs team. Assurances have been given that arrears will go through the recovery process now that the housing needs team is at capacity. Risk If arrears are not chased up, there is a financial risk to the council as they might have to be written off.	Tenants in arrears should be going through the recovery process to recoup as much of the debt as possible.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** Robust arrears recovery and monitoring will now be systematically undertaken by the Temporary Accommodation Officer and Assistant.		20 June 2014

Management response: Housing Needs Manager	

7. Decision on debts   **(Low Risk)**

Rationale	Recommendation	Responsibility
<u>Best Practice</u> All supporting documentations are attached to the tenant's account on the Abritas system. <u>Findings</u> Internal audit reviewed the prior tenant arrears' spreadsheet and established that there are arrears for less than £80. Internal audit established that for arrears less than £80, it is not financially viable to the council to send to legal services for recovery. <u>Risk</u> If action is not taken on tenant's debt, there is a risk of debts being forgotten.	A review is undertaken of accounts still in debt and a decision is made to either write the debts off or send to legal for recovery.	Staff Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** All debtor rent accounts will be reviewed and recommendations to write off or recover will take place at every monthly TA meetings Management response: Housing Needs Manager		20 June 2014