

Mole Valley District Council

Internal Audit Progress Report

Audit Committee meeting: 28 November 2013

Introduction

The internal audit plan for 2013/14 was approved by the Audit Committee on 12 March 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan

We have issued three final reports since the last Audit Committee, these are in the areas of:

Assignment <i>Reports considered today are shown in italics</i>	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
Service Desk (18.12/13)	<i>Green</i>	-	1	1
Journal Testing (2.13/14)	<i>Advisory</i>	-	-	1
Planning (4.13/14)	<i>Green</i>	-	-	1
Tenancy and Welfare Reforms (5.13/14)	<i>Green</i>	-	-	2

A further report from 2012/13 remains in draft: Follow up (17.12/13)

Internal Audit Performance

Below we have set out the position against the 2013/14 plan.

Assignment	Start date	Debrief date	Draft report issued	Management responses received	Final report issued
Housing Rents & Temporary Accommodation (1.13/14)	12 Jun 2013	20 Jun 2013	18 Jul 2013		
Journal Testing (2.13/14)	20 Aug 2013	19 Jul 2013	4 Sept 2013	23 Sept 2013	24 Sept 2013
Town Centre Management (3.13/14)	22 July 2013	2 Aug 2013	6 Sept 2013		
Planning (4.13/14)	10 July 2013	19 Jul 2013	9 Sept 2013	25 Sept 2013	26 Sept 2013
Tenancy and Welfare Reform (5.13/14)	9 July 2013	17 Sept 2013	10 Oct 2013	5 Nov 2013	5 Nov 2013
Corporate Counter Fraud Arrangements	16 October				
Risk Management	10 December				
IT Audits	TBC				
Revenues	6 January 2014				
Project Management- Leatherhead By-Pass	6 January				
Main Accounting, General Ledger and Reconciliations	13 January				
Waste Collection and Recycling	20 January				
Benefits	13 February				
Capital Accounting and Fixed Assets	10 February				

Follow Up	10 February				
Payroll	24 February				
HR Management	5 March				

Other Matters

Planning and Liaison:

We have met with management to scope the internal audits undertaken.

Change Control:

Action	Date	Agreed By
<u>Journal Testing</u> At the request of management we have utilised the contingency allocation to undertake testing of journal transactions required for External Audit assurance.	August 2013	Phil Mitchell

Information and Briefings: We have issued the following update electronically since the last Audit Committee:

- LGE Update LG eUpdate September 2013

KEY FINDINGS FROM INTERNAL AUDIT WORK AND AGREED ACTIONS

Assignment: Service Desk (18.12/13)	Opinion:	
<p>Headline Findings:</p> <p>We identified a number of well-designed controls, including, in particular:</p> <ol style="list-style-type: none"> a) Documented Service Desk management procedures have been built into the Support Works application, and training sessions were provided to technical and business users prior to the launch of the new system. This helps to ensure that all staff are aware of the organisation's requirements regarding the recording and management of Faults and Requests and how to use the new Service Desk software in the most efficient and effective way. b) Standard menu-driven fields have been configured within the Support Works Service Manager tool, helping to ensure that all Faults and Requests are completely and accurately recorded and that all Service Desk support team and user interaction regarding calls logged can be traced in the event of user or management enquiry. c) The responsibilities of the suppliers of the Support Works system, including service level targets for responding to support calls and fixing problems, have been documented in a support contract between Hornbill and the Council. This helps to ensure that both the Council and the supplier are aware of their support obligations and the process for prioritising support calls in relation to business need. d) Roles and responsibilities for administering the Support Works system have been documented and communicated to IT staff, reducing the risk that staff will be unaware of their service desk duties, leading to inefficient and ineffective responses to Service Desk calls, and failure or delay in meeting business user requirements in relation to problems or service requests. e) Detailed information on all calls in the Support Works system and subsequent action taken to resolve them is logged and retained on the system, reducing the risks that: f) Sufficient information is not available to enable calls to be resolved efficiently and in line with business requirements. g) Call information, including the identity of the caller and staff responding to call, together with action taken to resolve the call cannot be traced in the event of subsequent investigations into operational difficulties, error or fraud. h) The use of standard, pre-configured Incident Categories in the Support Works Service Management system (e.g. software type, hardware type), helps to ensure a consistent approach to incident categorisation and focus business support effort in the most appropriate areas. i) Standard, predefined Priority types have been configured in the Support Works system, and explanatory text on each type has been made available to users, helping to ensure that Fault and Requests are prioritised consistently and objectively. It also reduces the risk that Faults and Requests affecting the greatest number of people and/or the most important systems in the Council will not be treated as a priority, which could lead to an adverse impact on service delivery and availability of business-critical systems. j) Standard procedures are in place for call closure, based on requesting feedback from call originators. This reduces the risks that: <ul style="list-style-type: none"> ▪ Calls are closed without meeting business users' requirements regarding problem resolution or without satisfactorily meeting users' requests for new or additional services. ▪ Calls are left 'open' or 'pending' unnecessarily, resulting in unnecessary work for the IT team in investigating issues which have already been resolved. 		

- k) Arrangements are in place to provide customers with detailed information on the history of activity on Service Desk calls, including a call search facility which is built into the Service Desk application. This helps to ensure that business users are aware of progress made in handling, calls, remedying technical faults and in meeting Service Requests and are able to escalate or request the reprioritisation of any unresolved calls that could cause significant operational failures or delays.
- l) However, we did identify one control weakness in relation to the Council's Service Desk system which has resulted in one Medium priority recommendation being made. Principally, at the time of this review, there were no formal procedures in place to monitor the levels of support provided by Hornbill against service level targets documented in their support contract with the Council, increasing the risk that failure or delay in meeting the targets may not be identified and remedied promptly, which could negatively impact Service desk operations, and ultimately, call resolution.
- m) Our testing found that the recurring controls identified and evaluated during this audit are generally operating and being complied with. In particular, we reviewed a sample of 5 closed service desk calls logged between March and May 2013 and confirmed that:
- All key information for tracing the origin and resolution of the calls had been recorded in each case.
 - All incidents logged had been assessed, categorised and prioritised appropriately.
 - All the calls had been closed promptly and appropriately following resolution of the issues raised.
 - Regarding the information made available to customers in the sample who had logged calls, we found that:
 - Emails had been sent to users to acknowledge the receipt of the call and to report on progress, including closure.
 - The history of the call could be located, using the search facility in 'My Helpdesk'.
 - The full history of each call could be displayed on screen.

Action	Date	Responsible Officer
1. Management should ensure that feedback on user satisfaction with the new Support Works Service Desk system is sought from a representative selection of staff from across the Council as soon as possible and on a regular basis e.g. 6 monthly or yearly, in future. (Low)	January 2014	Saeed Foroughi
2. Management should ensure that procedures are designed, documented and implemented regarding the regular review and raising of any issues with software supplier in respect of their performance in achieving support/service level targets in relation to the Support Works system. (Medium)	Already implemented	Saeed Foroughi

Assignment: Journal Testing (2.13/14)	Opinion:	Advisory
<p>Headline Findings:</p> <p>Testing was requested to ensure that:</p> <ul style="list-style-type: none"> ▪ there was sufficient / appropriate supporting evidence for each journal; and ▪ each journal within the sample was a bone fide and “appropriate” journal. <p>We found that:</p> <ol style="list-style-type: none"> a) All journals sampled were found to be appropriate and all had sufficient evidence supporting the lines within the journal. Most of the journals posted were found to be reclassification of costs over the different cost centres which were made to help improve the monitoring of the internal budgetary/management accounts process, which on review of the supporting information did point to support the journal entry posted. b) Other journals were predominantly year-end adjustments for accruals which on review of supporting documentation appeared to have been calculated within reasonable accuracy and no issues have been noted. c) One significant journal which raised concern was journal number 3563. This one sided journal of £3.63 was posted to balance the accounts to nil. On further inspection, we were happy that the identified error related specifically to the salaries control account which had occurred on consolidation of the salaries and wages costs. Nevertheless the facility to raise one sided journals is an inherent weakness within the financial system and we would suggest that disabling this function would strengthen controls. d) Another significant finding was that journal no 3158 did not appear on the finance system at all. On discussion with Officers, we were informed that this is due to the fact that when journals are entered; they are initially classed as ‘pending journals’ and will not affect the accounts until they have been ‘posted’. Until they are posted, journals can be deleted & removed from the system entirely and journal 3158 was an example of a journal that would have been deleted whilst it was pending. We have raised a recommendation to address this below. 		
Action	Date	Responsible Officer
1. To ensure a complete audit trail of all journals, details of any ‘pending’ journals which have subsequently been deleted prior to posting should be recorded. (Low)	31 March 2014	Phil Mitchell / Brian Stuart

Assignment: Planning (4.13/14)	Opinion:	
<p>Headline Findings:</p> <ol style="list-style-type: none"> a) The Town and Country Planning Order & the National Planning Policy Framework provide thorough guidance to planning officers on processing planning applications. Further guidance is provided by Councils specific policies such as the MVDC Core Strategy, MVDC Local Plan, Dorking Town Area Action Plan, Affordable Housing supplementary planning document (SPD), Designing Out Crime SPD, Built Up Area Character Appraisals (numerous documents for different areas) and the Surrey County Council Vehicular and Cycle Parking Standards. 		

- b) Pre-application advice is provided by the planning officers. Applicants seeking planning advice are required to pay a fee. A file is set up (both hard copy and on APAS) and kept until a planning application is received.
- c) Fees for planning applications are set by Department for Communities and Local Government (DCLG). Residents applying through the Planning Portal are made aware of the fee payable prior to submitting an application. Applicants submitting their planning application directly to the Council are required to attach a cheque along with the application.
- d) A hard copy file is set up for each application and a checklist is also used to ensure all required preliminary information has been received. The Technical Team will consider whether the required information is on file before registering the application (if this is not the case, the applicant will be written to and the required information will be requested.) If it is deemed that all required info is on file then the file is passed on to the Development Team Manager in order to allocate officers within the team to the case at hand. Following this the file is passed back immediately to the Technical team to enable them to register the application. Deadlines are set by the system and this is also noted on the hardcopy file.
- e) All planning decisions are subject to review by a supervising officer prior to the applicant being informed of the outcome. This review is evidenced on the manual application file. Files are passed on to the relevant officer who will pass will assess the application, and pass back to the supervisor after a decision is made. The supervisor will review the decision and if agreed the applicant is informed of the outcome.
- f) A Planning Committee decision may sometimes be required if the case is considered to be complicated. The committee is held once a week.
- g) Records of all Section 106 agreements are maintained by the Technical Team while contribution payment records are maintained by Finance.
- h) Appeals are assessed by the Planning Inspectorate. Outcomes of appeals are tracked and discussed between the team and monitored against target.
- i) Budgets are set prior to the start of the year and it is a requirement to constantly monitor actual commitment against budgeted expenditure. Budget managers are responsible for updating spend and can also suggest possible alterations to budgets. Head of Service and the relevant accountant are alerted on all changes to budgets while meetings will be held discuss issues and potential required changes.
- j) Several Key Performance Indicators are monitored, however only application turnaround times are reported upon. We have made a suggestion to address this.
- k) Our review of the design of the decision making process confirmed adequate segregation of duties.
- l) We confirmed that procedural guidance has been made available for reference to all members of staff involved with the decision making process.
- m) Our sample of 10 applicants requiring pre-application advice were charged appropriately while adequate records of proposed plans and advice provided were archived electronically and in hard copy.
- n) Our sample of 20 planning applications confirmed that the fees collected were as per schedule provided by the DCLG and applications were not registered until a fee had been received. We confirmed that receipts from the cash office were reconciled on a daily basis against planning department records of fees received.
- o) We confirmed that in all 20 cases applications were processed as per procedure, e.g. checklists complete, all parties informed and deadlines noted. We also confirmed from decision letters that Government & Local policies had been considered in all instances. However for 7 of 20 a site visit checklist was not complete. We have made a low level recommendation to address this.
- p) Our testing of 20 planning applications confirmed that decisions made were reviewed and approved by a manager. For large and complex applications we confirmed that the Planning Committee were involved in making a decision.
- q) Our sample of 20 applications confirmed that APAS had accurately been updated in all instances. All required details (applicant details, application date, registration date, expiration date, decision date, details of parties informed, fees paid, responsible officer) were all updated as per paper file.
- r) We established that budgets had been set prior to start of the financial year and have been subject to constant review by management.
- s) Our review of monitoring records confirmed that performance was reviewed on a regular basis.
- t) We confirmed that S106 agreements and applications are adequately monitored along with fees payable. We have not covered Section 106 in detail as part of this review as the application and award process were tested as part of affordable Homes review in January 2012.

Action	Date	Responsible Officer
1. To ensure all site visits are conducted as per procedure officers must be required to complete the site visit checklist on all occasions. (Low)	Already in place	Gary Rhoades Brown

Assignment: Tenancy Welfare and Reform (5.13/14)	Opinion:	
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Headline Findings:

Initial analysis in the first quarter of the year highlighted that approximately 160 households would be affected by the 'under occupation' reform in Mole Valley and around 3,500 households affected throughout Surrey. For those affected in Mole Valley losses of benefit average around £13 per week if there is 1 extra bedroom and £26 per week for 2 bedrooms.

The Council has seen an increase in applications for Discretionary Housing Payments (DHP) which is a fund held to support the hardest hit. In 2012/13 a total of 58 applications were submitted to the Council, 40 of which were successful at a total cost of £28,000. At present (Sept 13) the Council has received a total of 87 applications. Of these 59 were successful at a total cost of £21,297.59. The Council has an expected future payment commitment of £8,919.92 on this fund. (The Government has provided the Council with £98,765 for payment of discretionary Housing Payments in 13/14)

Benefit Capping was introduced in July 2013. This provides a cap total for benefits to £350 a week for single people living alone and £500 a week for couples or families. Currently there are anticipated to be between 20 and 30 households affected in Mole Valley by the Cap. The majority of those affected will be anticipating a reduction in their benefit of between £30 and £100 per week. At the time of our audit three applications for DHP had been received directly as a result of capping.

We satisfactorily verified that a clear policy for DHP has been prescribed and our detailed testing of 12 applications for these short term supporting payments (including 2 subsequently refused) found good compliance to the procedures outlined. Additionally a satisfactory management trail indicates that 2 officers were involved in the process and that overall budget monitoring of the fund is occurring. (We are making 2 minor low level recommendations to complement the current controls outlined in procedures)

Our discussions with staff in the benefits and separate housing options team found that good communication is being maintained and that claimants are being provided with timely advice and options for their current tenancies.

Council Tax Support

In July 2012 the Executive authorised the Corporate Head of Service with responsibility for Benefits to recommend a scheme for 2013/14. We satisfactorily verified that a clear project plan with delivery milestones was determined with a consultation phase and that recommendation to committee delivered on time

A proposed scheme based on the previous national Council Tax Benefit parameters but with local variations (including reduced capital limits and removal of the second adult rebate) was considered. However after mounting national concern re the possible outfall of potential hardship on claimants a one year transitional grant was made available across the country to alleviate such outcomes. Consequently the Council adopted the default scheme for 2013/14 as it meant that no claimant would be financially affected and that the Council would not be adversely affected. It also afforded the possibility of lengthier consideration for any system for Local Council Tax Support in 2014/15.

A process of similar consideration and analysis is currently being planned and programmed in respect of the 14/15 Ctx support scheme

Universal Credit

The due live date (October 2013) for new applicants (not of pension age) to be referred directly to Universal Credit has now been postponed by the government until at least 2014. In addition the full rollout programme and migration of all claimants for the scheme has yet to be fully confirmed and will in all likelihood not occur before 2017 at the earliest and in all probability after this date.

Officers have confirmed that levels of uncertainty are affecting morale and that nationally across the benefit service new staff are being appointed on term contracts which are requiring higher remuneration. We have been assured that these developments are being closely monitored by senior officers, through professional updates, national briefings and local networks and that staff are being promptly briefed.

(We note that the delays in the application of Universal Credit were widely considered in the press in early September after the publication of a National Audit office report which stated that the planned £2.4 billion Universal Credit system was beset by "significant IT problems, weak management and ineffective control").

One area where some certainty has been communicated by the Department of Works and Pensions is that relating to HB investigative Officers who will transfer to a DWP Single Fraud Investigation Service in 2014/15. These officers also carry out corporate fraud investigations and consequently there may be a resourcing or capacity gap after the implementation of any TUPE transfer out of MVDC.

Homelessness

The Housing Team have strengthened their networks and communications with the Mole Valley Housing Association and directly with the Councils Benefits Team who administer additional discretionary payments to those claimants adversely affected by Benefits reform.

In addition there is a County Wide response to Welfare Reform, which is considering strategies and processes for providing support and information to Staff and Tenants affected. One of the first outcomes from joined up working at a County level is GetWise. This is a free, independent and confidential service which will provide information, advice, and support in respect of welfare benefits to all people in Surrey, and in particular those who will be affected by the key changes in Welfare Benefit Reform

The broader indicators, that might highlight significant hardship on a larger scale, are not currently registering any change. In particular Council Tax Recovery rates are identical to the same period in the previous year, Homelessness applications are again in keeping with the previous year and the number of people on the MVDC Housing register remains static. It will in all probability take some time for any building rent arrears to affect such indicators in the longer term.

Action	Date	Responsible Officer
1. In order to provide clarity in the Discretionary Housing Payments (DHP) procedures we would recommend that the period of award should be set out more explicitly in the policy document. In particular awards should be based on an initial 13 week period unless the claimants circumstances would indicate that a longer / shorter period is merited or that higher costs to Mole Valley would be negated through the use of DHP. (Low)	1 April 2014	Rob Boxall

2. In order to provide clarity for the applicant we recommend that a target completion and turn around time should set for the processing of DHP application once received within the benefits team. This target should be prescribed in the Discretionary Housing Payments Policy. (Low)	1 April 2014	Rob Boxall
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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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