

## **AUDIT COMMITTEE**

### ***Committee Report***

**Public**

**Date of Meeting:** 11<sup>th</sup> January 2013

**Title:** INTERNAL AUDIT PROGRESS REPORT

**Report of:** Director of Resources

**Report reference:** RD 69/12

**Summary:**

This report summarises the work carried out by Audit Services since the previous report to Committee on 26<sup>th</sup> September 2012 and details the progress made on delivery of the approved Audit Plan for the third quarter of 2012/13.

**Recommendations:**

Members are requested to receive this report and note the progress made against the agreed 2012/13 Audit Plan.

**Contact Officer:** Gill Martin,  
Audit Manager (Carlisle City)  
Internal Audit Shared Service

**Ext:** 7294

## **CITY OF CARLISLE**

To: Audit Committee  
11<sup>th</sup> January 2013

RD 69/12

### **Audit Services Progress Report No. 3**

#### **1 Introduction**

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly. Internal Audit examine, appraise and report on the effectiveness of financial and other management controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.2 This report summarises the work carried out by Audit Services since the previous report to Committee on 26<sup>th</sup> September 2012. It provides details on the progress made on delivering the 2012/13 Audit Plan up w/e 7<sup>th</sup> December 2012.

#### **2 Audit Performance Against the 2012/13 Audit Plan**

- 2.1 The 2012-13 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 16th April 2012 – report RD 03/12 refers.
- 2.2 To assist Members in monitoring progress against the agreed Audit Plan, **Appendix A** illustrates the current position of the Plan.
- 2.3 The key points are:
- The Plan calls for 540 direct audit days to be delivered in 2012/13 – 441 days have been delivered (82%), which is 67 days ahead of target that position in the year.
  - Resources in the team have now been reduced and time available in quarter 4 will mainly concentrate on the completion of the remaining material audit reviews.
  - Investigatory work has had some impact on planned work during quarter 3.
  - There is one recent change to the Plan. This is outlined in section 3 below.

### **3 Amendments to the 2012/13 Audit Plan**

- 3.1 The Audit Plan should be dynamic and thus be able to demonstrate a degree of flexibility to accommodate requests for other audit support during the course of the year. A recent matter has arisen which has prompted a change to the Plan. The overall audit days remains at 540 days.
- 3.2 The audit of Street Cleaning was deferred from the 2011/12 Audit Plan and the time used to support the review of the Connect 2 Cycle Way Scheme. Street Cleaning is now in the Plan for 2012/13 and planning discussions regarding this audit with the Director of Local Environment concluded that it was not an appropriate time to complete this audit given that the transformational review of the Street Cleaning service was near completion. Instead, a request was made by the Director of Local Environment to utilise this audit time to deliver a contract management review of the Recycling 'Bring' Sites, as there were concerns about the effectiveness of the service and costs associated with the current contract.
- 3.3 The Director of Resources agreed this action. Street Cleaning will be factored into the 2013/14 Audit Plan. Members are asked to note this change to the 2012/13 Audit Plan.

### **4 Follow-up of Previous Audit Recommendations**

- 4.1 A revised system for the follow up of audit recommendations is now in operation. This utilises the Covalent performance management system. Managers are now being encouraged to update, within the agreed timescales, the progress made on any recommendations which they are responsible for implementing.
- 4.2 There are two previous audits whereby the follow ups are now overdue; these concern Tendering and Contracting and the Connect 2 Cycle Scheme. In line with agreed audit practice for audits with restricted assurances, these two audits will be subject to formal audit follow up procedures and the outcomes will be reported to Members once finalised.

### **5 Data Quality and Records Management**

- 5.1. Members considered the audit of Data Quality and Records Management at the last meeting of the Audit Committee on 26<sup>th</sup> September. The Committee was concerned at the 'restricted' rating attributed to the audit of Records Management and that there were no overall records management arrangements at corporate level. The Committee asked to see the development of a draft Records Management Policy by

December 2012, for submission to this Committee at their January 2013 meeting. It was also recommended that a Senior Officer take immediate responsibility for this matter and clarity was sought over the adequacy of the implementation date of 31 March 2012, by which a designated Officer would be given responsibility for managing records and providing guidance.

5.4. A report was considered by SMT on 19<sup>th</sup> December which outlined the set of guiding principles drawn from Code of Practice on the Management of Records. A project is being established which will establish corporate records management procedures and roll this out in a structured and informed manner.

5.5. The following key actions were noted:

- Directors have been asked to support this work and raise awareness of this project with their DMTs, thus providing corporate buy-in and ongoing support of the project.
- A comprehensive retention schedule is to be developed by September 2013 to replace the schedule in the Constitution.
- Paper based information will be added to the list of potential digital workflows and Lean System reviews as part of the Sharepoint 2010 project. A list of initial systems on which to focus attention has been prepared. This work is due to commence in April 2013.

## **6 Review of Completed Audit Work**

6.1 Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix B**.

6.2 An abbreviated Management Summary and a copy of the Summary of Recommendations / Action Plan are attached to this report for each completed audit listed below. There are 5 audit reports to be considered by Members at this time:

<u>Audit of:</u>	<u>Assurance Rating:</u>	
External Funding	Restricted	<b>Appendix C</b>
Tullie House	Reasonable	<b>Appendix D</b>
Housing Benefit Overpayments	Reasonable	<b>Appendix E</b>
Improvement Grants	Reasonable	<b>Appendix F</b>
Highways Claimed Rights	Substantial	<b>Appendix G</b>

## 7 **Recommendations**

### 7.1 It is recommended that Members:

- Members are requested to receive this report and note the progress made against the agreed 2012/13 Audit Plan, as illustrated in **Appendix A**.
- Note the change to the 2012/13 Audit Plan detailed in section 3.
- Note the progress taken to date to progress the action plan to address the recommendations concerning corporate Records Management arrangements.
- Receive the completed audit reports which are attached as **Appendix C to G** of this report.

P. Mason  
Director of Resources



**CARLISLE CITY COUNCIL**  
**AUDIT PLAN 2012/13 – Q3 Monitoring Report**

Directorate	Section	Audit Area	Planned Audit Days	Actual Audit Days	Status	Assurance	Audit Committee
		<i>Risk Based Audit Reviews:</i>					
Chief Executive's Office	Policy & Performance	Data Quality	12	19	Completed	Reasonable	26 Sept 2012
Community Engagement	Community, Housing & Health	Records Management			Ongoing	Restricted	
Community Engagement	Community, Housing & Health	Supporting People	15	14	Completed	Reasonable	11 Jan 2013
Community Engagement	Community, Housing & Health	HB Overpayments	10	23	Draft Stage		
Community Engagement	Community, Housing & Health	Leisure Time Client	10	19	Completed		
Community Engagement	Customer Services	Customer Services	12	4	Completed		
Community Engagement	Museums and Gallery	Tullie House	5	3	Completed	Reasonable	11 Jan 2013
Economic Development	Planning	Management Development	15	16	Completed	Reasonable	26 Sept 2012
Governance	Democratic Services	Electoral Registration & Administration	10	0			
Governance	Governance	Gifts & Hospitality	5	9	Completed	Reasonable	26 Sept 2012
Local Environment	Bereavement Services	Cemeteries & Crematorium	12	18	Ongoing		
Local Environment	Highways	Highways - Contract & Claimed Rights	15	11	Completed	Substantial	11 Jan 2013
Local Environment	Highways	Street Cleaning	0	0			
Local Environment	Highways	CCTV	10	15	Completed	Reasonable	26 Sept 2012
Local Environment	Waste Services	Recycling	20	31	Draft stage		
		Bring Sites	10	11	Draft stage		
Resources	Corporate	Grants Protocol / Procedures	10	18	Completed	Restricted	11 Jan 2013
Resources	Corporate	Transformation	15	0			
Resources	Corporate	Early Retirement & Redundancy	10	16	Completed	Reasonable	26 Sept 2012
Resources	Corporate	Systems Administration	10	12	Ongoing		
Resources	Corporate	Market Rents	5	3	Ongoing		
Resources	Financial Service	Procurement	15	11	Ongoing		
Resources	Corporate	Tendering & Contracting	10	0			

Section	Audit Area	Planned Audit Days	Actual Audit Days	Status	Assurance	Audit Committee
<i>Material Reviews:</i>						
Community Engagement	Revenues & Benefits	Council Tax	12	12	Draft Stage	
Community Engagement	Revenues & Benefits	Housing and Council Tax Benefits	16	0		
Community Engagement	Revenues & Benefits	National Non Domestic Rates (NNDR)	12	0		
Community Engagement	Community, Housing & Health	Improvement Grants	8	9	Completed	Reasonable
Local Environment	Highways	Car Parking Income	10	15	Draft Stage	11 Jan 2013
Resources	Financial Services	Asset Management / Fixed Assets	15	6	Ongoing	
Resources	Financial Services	Income Management	12	1	Ongoing	
Resources	Financial Services	Main Accounting System	14	0		
Resources	Financial Services	Treasury Management	10	0		
Resources	Service Support	Creditors	10	1	Ongoing	
Resources	Service Support	Debtors	10	0		
Resources	Service Support	Payroll	12	10	Ongoing	
<i>ICT Reviews:</i>						
		Service Continuity,	10	13	Draft stage	
		Project Management	10	0		
		Service Desk, Incident & Problem Management	10	7	Ongoing	
<i>Other:</i>						
		Audit Management, Committee, Planning & Reporting	45	35		
		Follow Ups	10	10		
		Counter Fraud	10	4		
		Contingency	48	45		
		Other unplanned work	20	20		
			<b>540</b>	<b>441</b>		
Up to week 36 (7 <sup>th</sup> December 2012)			Target days	374	<b>69%</b>	
			Actual days	441	<b>82%</b>	



### Understanding Grading of Audit Recommendations and Assurance Levels

#### (1) Audit Recommendations

Each audit recommendation arising from an audit review is allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of or failure to comply with a key control leading to a fundamental weakness. and /or non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of or failure to comply with a system control leading to a significant system weakness.
C	Lack of or failure to comply with any other control leading to system weakness.
D	For consideration only - action at manager's discretion.

Where audit recommendations are arising from an audit review, a Summary of Audit Recommendations is attached to the audit report in the form of an Action Plan. This Action Plan is required to be completed by the lead client officer and provide details of proposed action to be taken to address the recommendation, the timescales for implementation and name of the responsible officer.

Internal Audit follow up all audit recommendations 6 months after the issue of the final report, with the exception of the material system reviews which are followed up as part of the next annual audit. When it is considered that insufficient or no action taken has been taken to address audit recommendations and there is no good reason to support the lack of action, the matter is reported to the Audit Committee.

#### (2) Audit Assurance Levels

Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. Internal Audit's assessment of internal control forms part of the annual assessment of the system of control, which is now a statutory requirement. The assurance level given to an audit area can be influenced by a number of factors including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc.

The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

## APPENDIX C



# AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council  
and Copeland Borough Council*

## FINAL REPORT

### Audit of External Funding & Grants

Draft Report Issued: 4<sup>th</sup> September 2012

Final Report Issued: 26<sup>th</sup> November 2012

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1. As part of the strategic audit planning process, External Grants was identified as a high risk service area and has therefore been selected for review as part of the agreed Audit Plan for 2012/13.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources Director of Community Engagement Director of Economic Development Corporate Project & Risk Management Officer	For Information
Financial Services Manager Chief Accountant Development & Support Manager Strategic & Private Sector Housing Manager Economic Development Senior Administrator / Performance Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 11 <sup>th</sup> January 2013

### 3. BACKGROUND INFORMATION/SUMMARY OF THE AUDIT AREA

- 3.1 The Audit Commission Annual Report on the Certification of Claims & Returns by the Council in 2010-11, published in February 2012, states that grants amounted to £68.6M during 2010/11 meaning this is a material class of transaction with regard to the Council's Financial Statements. The report further states that the fee charged by the Audit Commission for grant certification work for 2010/11 was £44,400. The Audit Commission have not yet published their Annual Report on the Certification of Claims & Returns by the Council in 2011-12.
- 3.2 The Audit Commission's approach to the certification of claims and returns is as detailed in the table below:

Financial parameters relating to the total value of the claim over its lifetime	Current audit certification threshold requirements
Less than £125K	The Audit Commission does not make certification arrangements
£125K - £500K	Part A testing – this is limited to agreeing form entries to underlying records, but do not undertake any testing of eligibility of expenditure)

## Section 1 – Management Summary

Greater than £500K	<p>Based upon the control environment where the Audit Commission deem that it can place reliance on the control environment – limited testing is undertaken to agree entries to underlying records but no testing undertaken of the eligibility of expenditure or data.</p> <p>If it is deemed reliance cannot be placed on the control environment then auditors would undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required.</p>
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- 3.3 The Audit Commission Annual Report of Certification of Claims and Returns for 2010-11, dated February 2012, concentrated on 5 claims subsidy and single programme claims. It stated that the Council could improve its arrangements for managing claims by:
- Improving the accuracy of the work of benefits assessors to minimise the under or overpayment of benefit.
  - Ensuring un-cashed housing benefit and council tax benefit cheques are treated correctly on the system and therefore in the claim; and
  - Strengthening the management of single programme claims to ensure compliance with grant conditions and to minimise errors.
- 3.4 Grants are required to be 100% accurate to meet their terms and conditions; otherwise this may result in an increased financial risk to the Council with the associated implications of grant claw back.
- 3.5 The element of European Regional Development Fund (ERDF) within the Council's Financial Statements was audited by staff from the Department for Communities and Local Government in February 2012 and as such, the Council's ERDF funded projects will not be reviewed by the Audit Commission as part of their 2011-12 review.

## 4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and detailed findings are shown in Section 8 of this report – Matters Arising:

Section	Area Examined
1.	Policies & Procedures
2.	Financial Administration
3.	Submission of Grant Claim's
4.	Retention of Information
5.	Supervision & Review

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to external funding which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to directorate's operational risk registers

## Section 1 – Management Summary

should be made. If risks are of a strategic nature, these will be reviewed by the Corporate Risk Management Group.

### 5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

5.1 The Council's external grants system was most recently internally audited in September 2010, it included 24 recommendations and provided restricted assurance. A formal follow-up review was conducted in September 2011 and reported to the Audit Committee on 31<sup>st</sup> October 2011. The overall Conclusion was that insufficient actions have been undertaken to effectively address **all** recommendations raised through the audit of Grants. It was considered that:

- *Regular (annual) training sessions still need to be scheduled into the internal training programme which should be (compulsory) attended by all officers with grant processing responsibilities. The training should be tailored to specifically cover the City Council's procedures surrounding grant monitoring and control in respect of seeking grant assistance, authorisation, administration, financial and reporting requirements and key quality checks to be undertaken throughout the course of the life of the grant, with specific attention on the detail required to support the submission of claims.*

The current position in regards to Training is considered at 9.1.5 within section 2 of this report.

- *The next audit was to involve a quality review check of a sample of grant claims to provide further assurance over the completeness and accuracy of grant files maintained by departments and claims prior to submission.*

A review of Disabled Facilities Grants, including a quality review check of grant claims, is considered at 9.3 within section 2 of this report.

### 6. RECOMMENDATIONS

- 6.1. There are 11 recommendations arising from this review :
- 9 at grade B
  - 2 at grade C

### 7. STATEMENT OF ASSURANCE

- 7.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within the system for managing external grants provide **Restricted** assurance.

### 8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The restricted assurance level provided by this audit has been influenced by a number of factors: including stability of systems audited, non adherence to procedures and the recommendations made.
- 8.2. There are concerns that the central grant monitoring arrangements and the records maintained by Financial Services for 2011-12 and prior years were not as accurate and up to date as they should be. This is largely due to Directorates not keeping Financial Services informed of external funding they have obtained.

## Section 1 – Management Summary

- 8.3. Arrangements were in place for quality checking of Disabled Facility Grants but a lack of communication led to the late submission of the 2011-12 claim.
- 8.4. A number of opportunities to further enhance controls have been identified and these are shown in the Summary of Audit Recommendations and Action Plan. The key issues arising from this review are:
- Improvements were identified for actions to be taken to make the Financial Services External Funding Monitoring Sheets more robust. These include the timeliness and completeness of the external funding information form received from directorates and the overall accuracy and reliability of the information collated and reported upon.
  - Improvements were identified for actions to be taken on the Strategic & Private Sector Housing Section's electronic monitoring of Disabled Facilities Grant's, due to the current system not following sound accounting practices, i.e. financial years not updated or stated incorrectly, incorrect formulae and a lack of cross-checks and referencing on column and line totals.
  - The need for a more joined-up approach between Directorates to the needs of individuals applying for Disabled Facilities Grants to reduce the likelihood of duplicated payments to grant applicants and time invested by council employees.

## SUMMARY OF RECOMMENDATIONS & ACTION PLAN

### RESOURCES DIRECTORATE AUDIT OF EXTERNAL FUNDING & GRANTS

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	The post of External Funding Officer was removed from the establishment and findings give rise to concerns that funding opportunities are not maximised due to a un-co-ordinated approach.	The Directors of Resources and Economic Development, with SMT support, should consider the adequacy of the resources available to take a corporate lead on external funding.	B	Director of Resources to raise this matter with SMT and resolve the role of coordinator	Director of Resources	01/01/13
R2	<p>The central monitoring sheet was found to be:</p> <ul style="list-style-type: none"> <li>Out of date, e.g. <ul style="list-style-type: none"> <li>Contacts are no longer with the Council or have moved roles,</li> <li>Funding streams have ended in prior years.</li> <li>Sheets and columns are unused.</li> <li>All transactions, including journals, amounts carried and brought forward and rental income are accounted for under a single column headed "Grant Received".</li> </ul> </li> <li>Lacking details in the comments column as to what the transactions are.</li> </ul>	<p>The central monitoring sheet for external funding should:</p> <p>Clearly identify and separate information and amounts relating to current and prior year funding streams. Have the un-used sheets, columns, rows, etc removed. Have transactions recorded under appropriately titled rows and columns. Have brief but sufficiently detailed comments to back-up all transactions.</p>	B	<p>Financial services will undertake a review of existing procedures and control sheets.</p> <p>This is subject to the resolution of R1 and a number of outstanding issues in some Directorates.</p>	Financial Services Manager	01/02/13

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
	<ul style="list-style-type: none"> <li>Contain transactions relating to DFG that did not match the hard-copy file held by Finance.</li> <li>Lacking verification of intervention rates on, e.g. ERDF part-funded projects being correctly apportioned.</li> </ul>					
R3	Inaccurate procedural information is in use.	<p>The Council's "Procedure For/Responsibilities in Respect of Grant Claims &amp; External Funding" needs up-dating and re-stating. In the context of the findings of this report, the following in particular:</p> <ul style="list-style-type: none"> <li>The lack of an External Funding Officer;</li> <li>The need for a corporate lead on external funding (per recommendation 1)</li> <li>All grants, regardless of value, should be reported by Directorates to Financial Services to be recorded on the central monitoring sheet.</li> </ul>	B	The Corporate Procedure has been revised and other issues raised will be resolved subject to the outcome of R1	Financial Services Manager	01/03/13
R4	Recording quarterly rental income, shown as "Grant Received", on 2 properties and collected on behalf of the now defunct NWDA with mention of apportionment on a 90% / 10% split but no transactions recording that having been done.	Finance Services need to establish the situation concerning the administration of the former NWDA rental properties and whether it is appropriate for the rents to be recorded on the external funding monitoring sheet.	B	Financial Services Manager to discuss with and obtain instruction from the Director of Economic Development & Head of Property Services	Financial Services Manager	01/04/13
R5	Funding opportunities may not be utilised to the benefit of the Council.	Use of Grant-Finder software should be properly embedded and coordinated by a corporate lead officer.	C	All subject to the outcome of R1.	Director of Resources	01/01/13
R6	The Disabled Facilities Grant (DFG) database was found not to be following sound accounting practice in terms of cascaded	The Strategic & Private Sector Housing Section, the Council's Financial Services and Cumbria County Council - Corporate Resources (Finance Section) should conduct a review of the DFG grant	B	Review to be carried out by the Finance and Housing services.	Finance and Housing managers	01/02/13



REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
	totals, dates and errors in cell formulae.	monitoring/reporting processes to agree a working document that provides assurance that service users are claiming grant assistance from a single source.				
R7	An application for work to be funded by DFG was cancelled due to the work being paid for instead by Social Services.	Financial Services should be notified of cases where applications for DFG are cancelled due to the proposed work having been, or is due to be, paid for by the County Council and decide on which budget the spend should be made from.	B	Financial Services to be notified.	Strategic & Private Sector Housing Manager	01/12/12
R8		Financial Services should instruct relevant budget holders to liaise with the Strategic & Private Sector Housing Section to avoid duplication of time and, potentially, duplicate payments for work to be carried out.	B	Financial Services to Notify Social Services Budget Holders and City Council Housing Section.	Financial Services Manager	01/12/12
R9	The Disabled Facilities Grant claim form was submitted after the deadline, due to an assumption by the Housing & Health Services Manager that all parties were notified of the necessity so submit the claim form by the Department for Communities and Local Government.	The Housing & Health Services Manager should notify Financial Services of the annual need for the DFG claim to be certified and submitted, as and when his team have completed their elements of the claim, as per the annual closure of accounts pack.	B	Financial services to be notified	Strategic & Private Sector Housing Manager	01/12/12
R10	Supporting documentation on the external funding files in Financial Services is more difficult to find than one would expect, is incomplete and/or incorrectly filed.	The external funding files in Financial Services should contain a summary sheet for each directorate with referenced sub-sections appertaining to each grant/external funding source.	C	This process will be reviewed in conjunction with R2	Financial Services Manager	01/02/13

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R11	Work carried out by Financial Services, often due to Directorates not completing what is required of them, is not being recorded.	The quality assurance process should be supported by documented outcomes and retained with the copy claims on file.	C	As R10	Financial Services Manager	01/02/13





## **AUDIT SERVICES**

*A Shared Service between Cumbria County Council, Carlisle City Council  
and Copeland Borough Council*

### **FINAL REPORT**

#### **Tullie House (Management of Assets)**

<b>Draft Report Issued:</b>	<b>30 March 2012</b>
<b>Re-Drafted Report Issued:</b>	<b>26 July 2012</b>
<b>Final Report Issued:</b>	<b>19 December 2012</b>

*The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the final report.*

*The Audit Committee will be presented with a copy of the relevant sections of the final report at its meeting to be held on 11<sup>th</sup> January 2013.*

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1. The audit of Tullie House forms part of the 2011-12 Audit Plan. The previous audit review was undertaken in 2008/09.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Peter Mason, Director of Resources Keith Gerrard, Director of Community Engagement	Report to be noted
Alison Taylor, Financial Services Manager Steven Tickner, Chief Accountant	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Hilary Wade, Arts & Museums Manager Andrew Mackay, Collections Development & Interpretation Manager, Tullie House	Report to be noted

### 3. BACKGROUND INFORMATION

- 3.1. Tullie House became a charitable Trust with effect from the 5<sup>th</sup> May 2011. Several Legal agreements were completed between the Council and The Trust to achieve the new status and key amongst these, in the context of this report, is the "Collection Loan Agreement" which, inter alia, states that the Collection remains the property of the Council whilst the Trust will care for the Collection and will administer, maintain and keep up-to-date the Collection database.
- 3.2. On the 19<sup>th</sup> of June 2009, the Government's Accounting Standards Board (ASB) issued a new Financial Reporting Standard on the reporting of assets held by museums and art galleries. FRS 30 - Heritage Assets, introduced new disclosure requirements for reporting the content and value of collections. The definition is:

**"A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture".**

This new FRS applied in respect of accounting periods beginning on or after 1<sup>st</sup> April 2010 but was adopted fully into the Code of Practice from 1<sup>st</sup> April 2011.

- 3.3. The Council has previously declared in its 2010-11 final accounts, £15.9 million of heritage assets as at 1<sup>st</sup> April 2010. The Director of Resources reported to the Audit Committee on the 13<sup>th</sup> of January 2012 the implications regarding the requirements of the Council and that the Audit Commission had identified the risk as one of 3 specific areas of focus on the 2011-12 accounts.

## Section 1 – Management Summary

The subsequent external audit of the arrangements for accounting for Heritage Assets raised no issued with the adopted process for 2011/12.

### 3.4. Associated Risks

- There is a risk the Council may be unable to identify and account for all heritage assets due to the volume of assets and artefacts and the complexity of the valuations.
- Management of assets under the agreement.
- Over/under-stated insurance liabilities.

## 4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and detailed findings are shown in Section 2 of this report – Matters Arising:

Section	Area Examined
8.1.	Asset Register & Valuations
8.2.	Acquisition of Assets
8.3.	Disposal of Assets
8.4.	Exhibits
8.5.	Security/Risk Assessment

- 4.2. The scope and testing undertaken as part of this review reflects the inherent risks specific to Tullie House and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk registers should be made. If risks are of a strategic nature, these will be reviewed by the Corporate Risk Management Group.

## 5. RECOMMENDATIONS

- 5.1. Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

## Section 1 – Management Summary

*\*A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

5.2. There is 1 Grade B recommendation arising from this review.

### 6. STATEMENT OF ASSURANCE

6.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

6.2. Overall the assurance level is **Reasonable**, although this may be considered in 2 parts:

- With regard to the current valuations and valuation process maintained by Tullie House in meeting their obligations in the Collections Agreement, the assurance level is restricted.
- With regard to the systems in place for the Collection to be secure and maintained to the requirements of the Collection Agreement, which includes the arrangements for acquisitions and loans, the assurance level is substantial.

### 7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

7.1. The assurance levels provided by this audit have been influenced by a number of factors including stability of systems audited, non adherence to procedures and the recommendations made.

7.2. A number of opportunities to further enhance controls have been identified and these are shown in the Summary of Audit Recommendations and Action Plan. The key issues arising from this review are:

7.3. Concerns are raised in respect of meeting the requirements of the Collection Loan Agreement in terms of the completeness of information held and a robust and timely future valuation process to support accounting and insurance requirements.

## Section 1 – Management Summary

(1) The Collection Loan Agreement is specific in its requirements regarding management of the Collection and the administration, maintenance and up to date Collection's database. A review of this area found that the Collections database was not complete in some areas as:

- There were a significant percentage of items not valued on the Collection databases.

The Collection is insured to a value of £15,159,000 and that is the value included in the Balance Sheet. The Collection value is comprised of 13 grouped collections on the Council's insurance summary. Of the 13 groups within the Collection, 2 principal collections, consisting of 5,539 items, account for 84% of the insurance value. Of these, 1,350 (24%) are not valued and of the 4,189 which are valued, 3,224 (77%) were valued over 6 years ago and 555 (13%) were valued over 20 years ago.

- There are items on the databases without a description and/or the artist.

(2) The Insurance valuations are reviewed as part of the insurance renewal process annually and were increased last in 2009 based on the 2007 valuations. Arrangements for formally updating the insurance valuations are currently under review.

- 7.4. Tullie House management and the Council's Finance section are pro-actively working together to seek resolution to the valuation arrangements, the outcome of which will have a positive impact on the future compliance with the Collection's Agreement and the continuing requirements of FRS30.
- 7.5. Recognition is given to the progress made regarding the valuations process since the completion of the audit review. Alternative insurance arrangements for the entire Collection are currently being considered which will provide accurate valuations for specific collection pieces with desk top valuations for the remaining items. This specialised insurance cover will be separate from the existing general All Risks cover arrangements. If agreed, these alternative arrangements are expected to be in place before the general insurance tender is issued in May 2013.



## SUMMARY OF RECOMMENDATIONS & ACTION PLAN

### AUDIT OF TULLIE HOUSE ASSETS

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Concerns are raised in respect of meeting the requirements of the Collection Loan Agreement in terms of the completeness of information held and a robust and timely future valuation process to support accounting and insurance requirements.	<p>Financial Services must liaise with Tullie House management to:</p> <p>Implement a valuation process that is robust and will maintain the requirements of the Collection Loan Agreement and this should be reflected in the Collections database.</p> <p>Ensure that the insurance valuation of the Collection is brought up to date.</p>	B	To be considered as part of the Insurance Tender renewal process that will hopefully see a new Fine Arts policy added to the insurance schedule. As part of this revised valuations will be undertaken, either formal valuations or desk top exercise.	Chief Accountant / Financial Services Manager / Arts & Museums Manager	01/05/13



# **AUDIT SERVICES**

*A Shared Service between Cumbria County Council, Carlisle City Council and  
Copeland Borough Council*

## **FINAL REPORT**

**Audit of**

**Housing Benefit Overpayments**

**Draft Report Issued: 18<sup>th</sup> September 2012**

**Final Report Issued: 08<sup>th</sup> November 2012**

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1. The audit of Housing Benefit Overpayments was previously reviewed in June/July 2011 by request from the Director of Resources over concerns that performance data suggested that recovery rates were below trend.
- 1.2. A number of issues were identified that required attention and a restricted assurance was provided. The purpose of this review is to perform a detailed follow up to the July 2011 report to ensure that all recommendations have been actioned to a satisfactory level.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Community Engagement. (Community Engagement).	Report to be noted.
Shared RBS Partnership Manager. (Revenues and Benefits Shared Service).	Report to be noted.
Benefits Manager. (Revenues and Benefits Shared Service).	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan
Director of Resources (Resources)	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan

- 2.2. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 11 <sup>th</sup> January 2013.

### 3. BACKGROUND INFORMATION

- 3.1. The 2011 review of Housing Benefit Overpayments highlighted a number of issues that were thought conducive in the then ineffective recovery of outstanding debt. These issues included a lack of comprehensive procedure notes, lack of cover for absent staff, too few cases referred to the debt collection agency, too many cases 'awaiting decision' and a failure to carry out weekly checks on claimants with outstanding overpayments.
- 3.2. The final audit report was considered by the Audit Committee on the 15<sup>th</sup> of August 2011 and it was agreed that a formal follow up of the recommendations would be carried out by

## Section 1 – Management Summary

Internal Audit as part of the 2012/13 Audit Plan. The Director of Resources presented a subsequent report in response to this was presented to the Audit Committee on the 27<sup>th</sup> September 2011. (RD46/11 – Housing and Council Tax Benefit Overpayments Audit). This outlined the then progress to date in implementing these audit recommendations regarding overpayment administrative and recovery practices.

- 3.3. By September, it was reported that 11 of the 12 recommendations made had been fully implemented and a detailed action plan was produced to reflect this. The report stated that remedial action was taken in the following areas:-
- Cover when the overpayments officer is on leave has now been organised.
  - Standard letters are now more user friendly and are sample checked for accuracy.
  - Overpayment runs are reconciled.
  - Accuracy checks are being put into place.
  - Debts now being forwarded to debt collection agency routinely.
  - Other administrative routines are now actioned expediently.
  - Write offs are now progressed through Council write-off procedures in a timely manner.
- 3.4. The scope and testing undertaken as part of the review in July 2011 reflected the identified risks specific to Housing Benefit Overpayments which had been raised by the Director of Resources. This review concentrated on following up the additional identified risks and reports on the action taken to address these.

### 4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Policies, Procedures and Training.
2.	Identification and Calculation.
3.	Recording and Notification.
4.	Stages of Recovery.
5.	Recovery Action.
6.	Reporting.

- 4.2. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

### 5. RECOMMENDATIONS

- 5.1. There are 3 grade B recommendations arising from this review :

## Section 1 – Management Summary

### 6. STATEMENT OF ASSURANCE

- 6.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

- 6.2. The assurance level given to an audit area can be influenced by a number of factors: including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc.
- 6.3. From the areas examined and tested as part of this audit review, we consider the current controls operating within Housing Benefit Overpayments to provide **REASONABLE** assurance.

### 7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. Areas have been identified where improvements could be made to strengthen controls and these are included in the Summary of Recommendations /Action Plan which is attached.
- 7.2. Good progress has been made, particularly around clearer definitions and guidance, more structured resources and enhancements to the processing of Housing Benefit Overpayments.
- 7.3. The key issues arising from this review are:
- 7.3.1. Policies, Procedures and Training.

It was established that there was now a fully comprehensive Housing Benefit Overpayment manual in circulation by December 2011. This is to be constantly updated to reflect the changing requirements of the Revenues and Benefits Shared Service.

## Section 1 – Management Summary

### 7.3.2. Identification and Calculation.

There had been a staffing review of the requirements and functionality of the previous arrangements. There is now provision of staff cover all across the Shared Service and essential recovery monitoring processes should not be allowed to inadvertently lapse. Other measures have also been introduced, i.e., the fast tracking the receipt of essential information that may incur an overpayment.

### 7.3.3. Recording and Notification.

The problems identified on the previous Overpayment notification documentation were resolved in March 2012. A significantly improved document expressed in plain English and incorporating useful additional information is now in circulation.

### 7.3.4. Stages of Recovery.

Controls have been implemented to ensure that the Overpayments Team are notified as promptly as possible of any overpayment and therefore instigate recovery as soon as possible. There remained a segregation of duties issue regarding agreeing payment arrangements, however, a compromise has been made via the emphasis on ensuring that other agreed control methods are exercised by staff in all cases.

The arrangements surrounding the backlog of overpayments held at a static stage in the system has improved at the 'Awaiting Decision' stage. Cases outstanding have more than halved and are actioned within an acceptable timescale which will significantly improve the chance of successful recovery of monies.

There was no evidence of any outstanding issues regarding internal communications between the assessment of claims and the impact on overpayments.

### 7.3.5. Recovery Action.

The recovery and write off procedures and systems have improved since the previous review. These improvements can be attributed to the increased availability of resources and the streamlining of systems. Management are still to consider implementing supervisory checks on payment arrangements.

### 7.3.6. Reporting.

The necessary control reports available from the Overpayments system have now been timetabled and are run and are being used to assist in the recovery process.

## RESOURCES DIRECTORATE

### Audit of Housing Benefits Overpayments

#### SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	When the outcome of an appeal is known, Overpayments staff have to wait for notification which can delay the process.	Once an overpayment case has been heard at appeal stage, the Senior Appeals Officer should inform the Overpayments Team immediately so that recovery can restart or the system can be updated.	B	This has now been actioned. The Senior Appeals Officer has been notified and will inform the Overpayments Team of the outcome of the appeal as soon as it is known.	Senior Overpayments Officer.	30 <sup>th</sup> September 2012.  Complete
R2	The write off process has changed since the completion of the 2011/12 Audit Report due to the Director of Resources now having delegated responsibility to write off debts over £1,000 without committee approval. It is therefore necessary to amend the 2011/12 recommendation to align the write off requests and the Executive Committee cycles.	Due notice should be given to the Overpayments Team to be able to prepare the write-off information for the Director of Resources so that the due consideration can be given to each write-off and they are all viable and justified.	B	The Senior Overpayments Officer to monitor the new situation to ensure that adequate notice is received so that the write-off report is as current and concise as possible. If not, a workable solution will be agreed with the Director of Resources.	Director of Resources/ Senior Overpayments Officer.	1 <sup>st</sup> October 2012  Complete.

R3	Overpayment staff can make payment arrangements independently. These are not verified by another officer at any point therefore there is insufficient division of duties.	It is recommended that a) ensuring all staff are fully trained and competent in all recovery and payment arrangement procedures so they can identify what is standard and not standard practice, and b) ensuring that notebooks are used in all cases so that if an overpayment appears unjustifiably low for the amount of debt, it can be easily identified why and /or questioned.	B	This has been agreed and although already in operation, it will be defined as being standard practice and the requirement of such circulated to all relevant staff.	Senior Overpayment Officer.	10 <sup>th</sup> October 2012.  Complete.
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# **AUDIT SERVICES**

*A Shared Service between Cumbria County Council, Carlisle City Council and  
Copeland Borough Council*

## **FINAL REPORT**

### **Audit of Improvement Grants**

**2012-13**

**Draft Report Issued: 16<sup>th</sup> November 2012**

**Final Report Issued: 21<sup>st</sup> November 2012**

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1. The audit of Improvement Grants forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts. The Audit Commission place reliance on the material reviews undertaken by Audit Services as part of their work on the Statement of Accounts.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Community Engagement	Report to be noted.
Director of Resources	Report to be noted.
Communities Housing and Health Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Strategic and Private Sector Housing Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Senior Housing Renewal Officer Communities	Report to be noted.
Housing Support Officer	Report to be noted.

- 2.2. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 11 <sup>th</sup> January 2013.

### 3. BACKGROUND INFORMATION

- 3.1. This audit review has concentrated on Disabled Facilities Grants (DFG).
- 3.2. The legislation governing DFG's in England and Wales is the 1996 Housing Grants, Construction and Regeneration Act. There are only mandatory DFG's which Carlisle City Council make available which are subject to a means test (with the exception of disabled children), for essential adaption's to give disabled people better freedom of movement in and around their homes and to give access to essential facilities within their home. Discretionary DFG's were abolished from July 2003.
- 3.3. To approve a DFG a local housing authority (Carlisle City Council) must satisfy itself that the works are *necessary* and *appropriate* to meet the needs of the disabled person and are *reasonable* and *practical* depending upon the age and condition of the property. Section 24(3) of the 1996 Act imposes a duty on Carlisle City Council to consult social services authorities (Cumbria County Council) in coming to a view on whether the proposed works are 'necessary and appropriate'. Carlisle City Council does this through the assessments of

## Section 1 – Management Summary

Cumbria County Council Occupational Therapists before then deciding whether the works are 'reasonable and practical'.

- 3.4. Once necessary conditions have been fulfilled DFG's are subject to a means test and an upper grant limit. The test of resources for grant applications are set out in the Housing Renewal Grants Regulations 1996 (SI 1996/2890) (as amended). The test is similar to the system for calculating entitlement to Housing Benefits. Grant applications may receive a full grant or may be required to make a contribution towards the cost of the works. The maximum DFG grant award is £30K.
- 3.5. Local authorities receive a DFG allocation without a specified requirement to match this funding. From 2010/11 the DFG has been paid as an un-ring fenced payment as part of the Single Capital Pot, through a determination under section 31 Local Government Act 2003. This allows funding for a number of programmes to be pooled together allowing local authorities to determine, against local priorities, how they best use these funds.
- 3.6. Once the DFG works of owner occupied properties have been completed, Carlisle City Council (having notified the applicant before commencement) places a charge on the adapted properties through the Land Charges system. This is applied where the cost of the DFG grant awarded exceeds £5K and is limited to a maximum charge of £10K. The charge, however, only applies if the property is sold within 10 years of the completion of the works undertaken. Funds clawed back are then recycled through the DFG programme.
- 3.7. Carlisle City Council has an in-house 'Home Improvement Agency' which provides 'professional, technical and administrative services provided by the Council' in connection with DFG. The charge is 10% (plus VAT) of the approved cost of the Grant eligible work.
- 3.8. The DFG budget for 2012/13 was £863,000 (comprising: Authority Grant Allocation £663,000 and Council Contribution of £200,000).
- 3.9. As a result of the demands being placed on the budget for mandatory DFG awards the service has introduced a scoring system to ensure that applications are prioritised (so that resources are directed to those with the greatest need). This is undertaken whilst still meeting the requirement to make a decision on a properly completed DFG application within 6 months of receipt.
- 3.10. DFG formed part of a recent Audit Services review of External Funding & Grants from which 4 recommendations related to the monitoring of DFG applications and are included as part of Section 2 Matters Arising.

## 4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Eligibility
2.	Approval

## Section 1 – Management Summary

3.	Estimates
4.	Works
5.	Conditions
6.	Payments
7.	Repayments
8.	Government Grant

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Disabled Facilities Grants which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the Audit Services review should be assessed by the relevant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

### 5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An Audit Services review of Improvement Grants was previously carried out in 2011. Testing of the agreed actions has been incorporated in this review. A copy of the follow up schedule is also attached..

### 6. RECOMMENDATIONS

- 6.1. There are 2 recommendations arising from this review:
- 1 grade B
  - 1 grade D

### 7. STATEMENT OF ASSURANCE

- 7.1. From the areas examined and tested as part of this audit review, coupled with the issues highlighted in the Audit Services review of External Funding and Grants, we consider the current controls operating within Improvement Grants provide **REASONABLE** assurance.
- 7.2. Areas have been identified where improvements could be made to strengthen controls and these are detailed in the Summary of Recommendations /Action Plan which is attached.

### 8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. A number of opportunities to further enhance controls have been identified and these are shown in the Summary of Audit Recommendations and Action Plan.
- 8.2. The key issues arising from this review are:

## Section 1 – Management Summary

- The lean systems review carried out by the Strategic & Private Sector Housing Section in 2011 and the changes that followed has had a significant positive impact on the service provision.
- The findings of the recent high-level Audit Services review of DFG, as part of the Audit Services review of External Funding and Grants, were brought to the attention of key officers in the Strategic & Private Sector Housing Section, and have provided assurance to this review by virtue of the team being pro-active in implementing some of the changes and it is anticipated that the remaining will be implemented following discussions with Financial Services.
- There were still a couple of issues with recommendations arising from this in-depth review but generally, the process is now being managed to a satisfactory level.

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**COMMUNITY ENGAGEMENT DIRECTORATE**

**AUDIT FOLLOW UP OF IMPROVEMENT GRANTS**

*Final report issued 11 October 2010*

**SUMMARY OF PREVIOUS RECOMMENDATIONS**

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Audit Services)
R1	Management should ensure an appropriate audit trail is retained on file. In particular: <ul style="list-style-type: none"><li>• The commencement date of works is recorded on file; and</li><li>• The inspection prior to the approval notice being granted is recorded on file.</li></ul>	C	Audit trail implemented in Jan 2012. A new Framework Agreement has been in operation since 10/4/12 for DFG together with a re-structured team.  Administrative recording changed on inner leaf of files from April 2012.	Yes
R2	A clear framework over the administration of repayments should be prepared and implemented: <ul style="list-style-type: none"><li>• All grant repayments should be recorded and classed in accordance with;<ul style="list-style-type: none"><li>- Less than £5K where repayment not due;</li><li>- Greater than £5K where repayment is due/received; and</li><li>- Greater than £5K where the repayment has been waived and the reason/s for this.</li></ul></li><li>• The waiver of grant repayments should be undertaken by the Assistant Director (Community Engagement) and the Portfolio Holder (Community Engagement).</li></ul>	B	Audit trail implemented in Jan 2012. A new Framework Agreement has been in operation since 10/4/12 for DFG together with a re-structured team.	The framework has been successfully implemented, with the exception of a lack of signatures verifying the calculation of how much is to be repaid (see recommendation 1 below) and, whilst hard-copy documentation repayments are held on a file and each individual case is recorded in Acolaid, there is not a summary maintained to record/monitor repayment queries.

**COMMUNITY ENGAGEMENT DIRECTORATE**  
**Audit of Improvement Grants**  
**SUMMARY OF RECOMMENDATIONS & ACTION PLAN**

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Repayment calculation forms are not being signed by the Officer producing the amount to be repaid and the Principal Housing Officer is not signing the form to authorise the amount due.	The repayment calculation should be signed and name printed by the Officer inputting the calculation and by the Principal Housing Officer.	B	Calculation form to be put in place and when recalculation done signed off by officer	Strategic & Private sector Housing Manager	01/12/12
R2	Enquiries and resulting actions relating to repayments are not summarised either on the hard-copy documentation file or "Acolaid" - the electronic system used to record, monitor and manage Disabled Facility Grant's.	<p>An electronic summary of repayments should be set-up to provide a holistic view of the number of queries and the action taken, i.e.:</p> <ul style="list-style-type: none"> <li>• The number and values of repayments that were chargeable – which can be used, e.g. to track and reconcile debtors;</li> <li>• The number and values of repayments that were not chargeable, due to either being below £5,000 or the condition period has expired;</li> <li>• The number and values of repayments that were waived due to, e.g. the death of the applicant.</li> </ul>	D	System to be put in place	Strategic & Private sector Housing Manager	01/02/13







# **AUDIT SERVICES**

*A Shared Service between Cumbria County Council, Carlisle City Council  
and Copeland Borough Council*

## **FINAL REPORT**

### **Audit of Highways Claimed Rights**

**Draft Report Issued: 29<sup>th</sup> November 2012**

**Final Report Issued: 19<sup>th</sup> December 2012**

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1. As part of the audit planning process, Highways Claimed Rights was identified as a medium risk service area and has therefore been selected for review as part of the agreed Audit Plan for 2012/13.
- 1.2. The Highways Claimed Rights system was most recently internally audited in December 2009 and included 2 recommendations.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources Director of Local Environment	Please note the report
Financial Services Manager Development & Support Manager Highways Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.

- 2.2. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 11 <sup>th</sup> January 2013.

### 3. BACKGROUND INFORMATION

- 3.1. A district council may claim the right to maintain urban unclassified roads, footpaths and bridleways from the Highways Authority. A report EN250/00 was presented to the City Council on the 7th November 2000 and a decision was made to adopt "Claimed Rights" from the County Council of applicable lengths of highway as detailed in Section 42 of the Highways Act 1980.
- 3.2. Each year the City Council is required to submit a bid detailing the maintenance work it proposes to carry out the following financial year. The bid has to be submitted by December and the City Council are advised of the actual allocation from the County Council usually prior to the start of the new financial year. In addition to the revenue funds for basic maintenance, the County Council also allocate capital funds for specific improvement work.
- 3.3. The claims for the all work carried out are submitted quarterly by way of invoices to the County Council and supported by a summary of the costs claimed together with cumulative statistics which by quarter 4 provides the annual summary and total claimed.

## Section 1 – Management Summary

- 3.4. The future of the Agency Agreement is currently under review, with management reports containing detailed analysis and dissection the of existing systems along with future options being considered by senior management.
- 3.5. The job costing system Contractor Plus, which was utilised by the Highways section and which had a daily interface with the General Ledger caused a number of problems throughout 2011/12, resulting it ceasing to operate entirely from 1 May 2012. Alternative interim arrangements have been introduced since this time to continue the compile job costing information and a feed into the General Ledger. Whilst these alternative arrangements have been established, transactions using these alternative arrangements have not been tested as part of this audit.

### 4. SCOPE

- 4.1. Audit testing and verification has been carried out to form an opinion over the effectiveness of systems and controls in place relating to accounting for and claiming expenditure incurred by the City Council from the County Council.

### 5. RECOMMENDATIONS

- 5.1. Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

*\*A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

- 5.2. There is one grade B recommendations arising from this review.

### 6. STATEMENT OF ASSURANCE

- 6.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

## Section 1 – Management Summary

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 6.2. We consider the current controls operating within the system for managing Highways Claimed Rights provide **SUBSTANTIAL** assurance. This audit opinion is based on a number of factors including stability of systems audited, adherence to procedures and there being no recommendations made.

### 7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. Satisfactory arrangements are in place to back up the 2010-11 and 2011-12 Highways Claimed Rights invoices to Cumbria County Council.
- 7.2. Recent attempts to progress the outstanding debts dating from February 2011 have been made, although this matter is yet to be settled in full. This is a matter which should be resolved with the County Council as part of the future decisions about the service.
- 7.3. The current costing and financial management arrangements for 2012-13 following the demise of C+, whilst not ideal, provide a clear audit trail of transactions until a decision is made by the Council's future need for a replacement job costing system.

## **Section 1 – Management Summary**

## SUMMARY OF RECOMMENDATIONS & ACTION PLAN

### RESOURCES DIRECTORATE

#### AUDIT OF HIGHWAYS CLAIMED RIGHTS 2011/12

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Invoices supporting the City Council's claimed rights to Cumbria County Council, dating from February 2011 and totalling £94,353.50, have been disputed by the County Council and have not yet been paid.	Outstanding debts should be resolved with the County Council as part of the decisions taken on the future of the service.	B	Agreed – discussions are continuing with the County Council with regard to this outstanding sum to resolve any dispute over non-payment	Financial Services Manager/ Highways Manager	On-going