

AUDIT COMMITTEE

CARLISLE
CITY COUNCIL



Committee Report

Public

Date of Meeting: 15th January 2010

Title: Audit Services Progress Report

Report of: Assistant Director (Resources)

Report reference: RD 67/09

Summary:

This report summarises the work carried out by Audit Services since the previous report to Committee on 25th September 2009.

Recommendations:

Members are requested to receive this report.

Contact Officer: Mike Thompson – Principal Auditor **Ext:** 7284

Audit Services Progress Report

1 Summary of Audit Work

As previously agreed by this Committee, members will be supplied, at each meeting, with the Management Summary and the Summary of Recommendations and Action Plan for each audit which has been completed since the previous meeting.

The following audit reports are attached -

Appendix A – Brampton Business Centre

Appendix B – The Enterprise Centre

Appendix C – Supporting People

Appendix D – Highways Maintenance

Appendix E – Fixed Assets/Capital Expenditure

Work is also in progress on a number of other reviews, for which the final reports will be presented to Members in due course.

2 Follow-up Reviews

- 2.1 Follow-up reviews were undertaken where appropriate during the period covered by this report. There was one specific outstanding audit recommendation emanating from a review of the Authority's Equality and Diversity arrangements, over the adequacy of training records, that the then, Head of Personnel and Development, took issue with. Whilst agreeing that the Authority should be able to monitor attendance at courses, the Head of Service had concerns that the lack of funding to develop the Trent Business System made it difficult to provide accurate and easily accessible information on staff attendances at mandatory courses.
- 2.2 As part of the Chief Executive's Transitional review, the Trent development issue will be looked at again but in the meantime transitional arrangements have now been agreed between internal audit and the Training Co-ordinator that will ensure a centralised overview of attendances at courses deemed to be mandatory for all staff.

3 MASS Database/Real Asset Management System

- 3.1 As reported to Members at previous meetings, requirements for the full property database will be progressed as part of the Chief Executive's Transformational Review in due course. In the meantime, the MASS database continues to be developed with details of playgrounds, monuments and allotments currently being incorporated.

Members have also been made aware that the Council had purchased the Real Asset Management system that will allow it to record fixed asset information for capital accounting purposes, which will satisfy the immediate accounting requirements. The system has now been implemented, tested and relevant staff trained up. Whilst there are still enhancements required to improve data collection and reporting, the system is operational and ready to be utilised for the closure of accounts which is the main priority.

- 3.2 The situation will continue to be monitored by Audit Services and developments will be reported to the Audit Committee in due course.

4 External Grant Funding

- 4.1 Following an earlier Audit review, it was agreed that there is a need to enhance the role of the External Funding Officer (EFO), in order to provide a central co-ordinating role to manage the external funding function both strategically and to provide operational support.

- 4.2 As a requirement of the funding offer from NWDA in connection with Carlisle Renaissance Year 1 action plan, the NWDA agreed to fund an external assessment of the management of external funding, in terms of financial controls, processing of claims etc, and this will be used to inform any decision on how the role of the EFO should work in future. This work which has been commissioned from Genecon is valued at £10,000, with the NWDA providing £8,000 and the Council funding the balance from the external funding budget held in Development Services.

- 4.3 Following an initial outline from Genecon, a draft report has recently been received and the EFO and a Finance representative within the Resources Directorate will be liaising and passing back joint comments to Genecon who will subsequently furnish the Council with a final report. This report will be considered by SMT as part of the Chief Executive's Transformational review.

- 4.4 The situation will continue to be monitored by Audit Services and developments will be reported to the Audit Committee in due course.

5 Annual Governance Statement Action Plan

Progress against the Action Plan has been reported separately to this meeting - report RD 68/09 refers.

6 Shared Service/Interim Arrangements

6.1 At the meeting held on 4th December 2009, a verbal report was made and a briefing note issued advising members on proposed interim arrangements for the Internal Audit function for the period 17th December 2010 (i.e. following the departure of the Head of Audit Services) and 31st March 2010 when it is envisaged that a shared service or alternative arrangements are introduced both of which options involve the County Council. A debate then followed over the adequacy of resource levels and questions over the issue of the independence of the two potential Interim Manager's given the potential for their positions being compromised by a conflict of interests. The Assistant Director (Resources) stated that he was satisfied that the proposals outlined would retain the independence of the internal audit function in the short term. Some members shared concerns raised by the District Auditor over the independence issue and the sufficiency of internal audit resource availability to meet the City Councils requirements.

6.2 The Audit Committee had resolved –

(1) That the concerns expressed by the Audit Committee regarding the proposed arrangements to resource and maintain the independence of Internal Audit to 31 March 2010 be conveyed to the Executive, and in particular:

- a) The need to ensure that the level of resource available to Internal Audit in future was sufficient to meet the City Council's requirements; and
- b) Concern at the potential risk should the future Manager of Internal Audit's capacity to act independently be compromised by the other roles they were required to undertake.

(2) That it be noted that the options for the longer term administration of Internal Audit would be presented on 15 January 2010."

6.3 The Executive held on 17th December 2009 received the above reference from the Audit Committee and The Finance Portfolio Holder confirmed that the Assistant Director (Resources) had responded to the concerns raised.

6.4 This response had been made under confidential cover in a paper sent to the Chairman of the Audit Committee and the District Auditor on 9th December 2009. Following the departure of the Head of Audit Services, the Project Manager (Transformation and Shared Services) was asked to manage Internal Audit in a part-time capacity for the period up to 31/3/2010. A reply to the paper, which provided assurances over the issues raised above has now been received from the District Auditor as follows:

"The CIPFA guidance on IA recommends that IA functions should be free from operational responsibilities so as to avoid any conflicts of interest between the functions of IA and the operations of the organisation. Clearly, however, this cannot be the case

for Carlisle City Council now because of decisions previously taken and now implemented. As I said at the Audit Committee in December, you are where you are! What matters is that members fully understand the issues and risks in the changed arrangements and indeed, those going forwards.

I understand that the long term solution is a shared service (or some other contractual change) and therefore the issues we are currently discussing relate only to the period between December 2009 and March 2010 as the new arrangements are intended to be in place from 1 April 2010. My comments should therefore be read in this light.

Whilst the IA service is managed by staff with operational duties, there is a risk of conflicts of interest / threats to independence although the issues will depend upon the posts undertaken. I note that you have tried to identify where these potential issues could arise and to identify appropriate action where this might be needed. However, it remains my view that it is difficult, if not impossible, to predict every such possible conflict.

I think the other thing to bear in mind is that the possible issues could arise for periods to come as a result of decisions taken now. By this, I mean for example that changes implemented through the transition team could be subject to audit by internal audit in future years. The audit staff could be (or feel) compromised by this because of their working relationship with the Interim Audit Manager in the future.

As far as the changes to the audit plan go, these really are matters for the Council and it is not really for me to comment. The Audit Committee must confirm that it is satisfied that there is sufficient appropriate work to cover the risks etc.”

- 6.5 Whilst the ongoing concerns of the District Auditor over independence are fully appreciated, it should be noted the Interim Audit Managers role in the Transformation and Shared Service process is not in a decision making capacity but is advisory and focuses upon organisational and value for money issues which is an audit role in many Authorities. It must again be re-iterated that as the District Auditor has pointed out, this is a short term temporary arrangement and will not progress beyond 31st March 2010.
- 6.6 In respect of the residual 2009/10 programme of audits, all material areas are currently scheduled to be reviewed and completed up to draft report stage by 31st March 2010 in readiness for any revised internal audit arrangements.
- 6.7 In terms of Audit Committee members concerns over the reduction in the number of audit days proposed under a shared service it is true that the 2009/10 ostensibly has 799 direct audit days as opposed to the 519 days under revised arrangements. The estimated days however include 100 days for shared service work and performance review work which will no longer be required and this is similarly the case for the Governance Action plan work, Freedom of Information Requests, Financial Standing Reviews and Performance Indicator checks which in total equate to a further

50/60 days. The 2009/10 Audit Plan also includes 179 direct days from the Head of Audit Services and whilst 40 of these days were spent on FOI'S, Governance and Financial standing requests, The Head of Audit Services would be the first to agree that much of the remaining time (ie. a large proportion of the residual 139 days) was spent on Corporate Issues.

6.8 After deducting say 230 days to cover the above "out of scope" activities, the comparative figures become 569 against 519 direct days which by our understanding will be supplemented by a full time Principal Auditor providing support to the team and a 0.5 FTE Manager who will take care of the liaison required with the Audit Commission and the full servicing of the Audit Committee. In essence, the "shared service" would greatly benefit through the acquisition of an experienced operational audit team whilst the City Council would be gaining a significant management resource. The 519 direct days will facilitate the completion of all material reviews (say 200 days) leaving over 300 days to be allocated to high, medium and low risk system audits.

6.9 The above revised level of coverage (i.e. 519 days) is therefore not as significantly far off the "in scope" figure of 569 and is deemed to be sufficient under the agreed County input to shared service arrangements by the Director of Corporate Services at Carlisle who was involved with the process of formulating the business case.

6.10 The overall position pre-transformation can be summarised as follows:

Work Activity	Days
Direct Audit days available from pre transformational establishment	799
Less Performance Review and Shared Service work to be carried outside of Internal Audit under revised arrangements	(100)
Less estimated audit days spent by the Head of Audit Services and other audit staff on Freedom of Information Requests, Financial Standing checks, Performance Indicators and Governance. Say	(60)
Less Corporate work undertaken by the Head of Audit Services including Audit Committee administration (say 50% of the residual 139 days)	(70)
Total direct audit days available under pre 17/12/09 establishment	569

7 Recommendations

7.1 Members are requested to receive this report.

P. Mason
Assistant Director (Resources)
January 2010



Corporate Services

Audit Services

Audit of Brampton Business Centre

Final Report

November 2009

Audit Contact	Ian Beckett	Extn No.	7292
Document Ref:	K:\2006-07 onwards\Development Services\DEV315 - Brampton Business Centre\2008.09 Audit\audit reports\BBC Final Report.docx		

Directorate / Service Area	Recipient(s) of Report	Action Required
Development Services	Don Taylor	None – information only
Development Services	David Beaty	None – information only

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on 15th January 2010

1. Reason for the Audit

- 1.1. It was agreed by the Audit Committee, as part of the Strategic Audit Planning process, that a small number of days (40) could be allocated to the review of those areas of activity which are regarded as “low risk”, and would otherwise be extremely unlikely ever to receive Audit attention.
- 1.2. The audit of Brampton Business Centre was chosen as one of these areas for review as part of the 2008/09 Audit Plan.

2. Background Information / Summary of the Audit Area

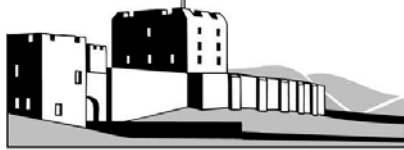
- 2.1. A review of the systems of control at the Centre commenced during 2008, and the areas planned for attention were Policies and Procedures; Income; Expenditure; Inventories and Security.
- 2.2. Before this review was completed, however, it became known that the Centre was to close on 27th March 2009 and that the Centre site would be returned to the County Council on 30th April 2009.
- 2.3. The focus of this review therefore changed, and it was decided that the allocated time would be better utilised by ensuring that the City Council's interests were fully recognised and addressed in the period leading up to the closure of the Centre.
- 2.4. To this end, the Head of Audit Services maintained contact with the Business Development Officer (B.D.O.), to ensure that all of the required activities had been identified, and had been included on a Schedule which the B.D.O. had prepared.
- 2.5. A copy of the Schedule, dated 13th November 2009, is attached to this report as **Appendix A**.
- 2.6. Following the closure of the Centre, it was determined that a further Supplementary Estimate of £150,000 was needed, to cover back rent following a rent review, outstanding redundancy and enhanced pension contributions.
- 2.7. A report was presented to Executive on 1st September 2009 – report DS.69/09 refers – and subsequently ratified by the Council on 15th September 2009 – Minute C148/09 refers.

3. Conclusion

- 3.1. It is concluded that all of the necessary actions required in respect of the closure of Brampton Business Centre have been taken in accordance with the agreed Schedule.

4. Recommendation

- 4.1. There are no recommendations arising from this review.



Final Report

3rd November 2009

Lead Auditor:	Paula Norris
Document Ref:	Enterprise Centre final report 09-10.docx

Recipient of Report	Action Required	Mgmt Summary	Applicable Section(s) of Matters Arising	Appendix A to note
Acting Director of Development Services	Final report – for action	Full Summary	All	All
Business Development Officer	Final report – for action	Full Summary	All	All
Enterprise Centre Manager	Final report – for action	Full Summary	All	All
Head of Financial Services	Final report – for action	Part Summary	Section 3 Section 4 Section 5	Recs 3a, 4b, 4c, 5a,5b, 5c, 5d, 5g,5h,
Head of Revenues & Benefits	Final report – for action	Part Summary	Section 3 Section 4 Section 5	Recs 3a,3b,3c, 4a, 5c
Head of Facilities	Final report – for action	Part Summary	Section 5 Section 7	Recs 5e, 7a, 7b, 7c, 7d.

1. Reason for the Audit

- 1.1. The agreed audit plan for 2009/10 includes a small selection of lower risk audit reviews to provide a more holistic coverage of identified risks. The Enterprise Centre has not been subject to audit for a number of years and this was fundamental to its selection for a periodic review.

2. Background Information / Summary of the Audit Area

- 2.1. The Enterprise Centre opened in 1987. It was formerly the Carlisle headquarters of the electricity board and later Norweb. It was originally Carlisle's first power station and a Unitarian Church. The first tenants began using the centre in 1988.
- 2.2. Based on James Street, the Carlisle City Council facility provides managed workspace for more than 40 small businesses in a range of workshop, studio, catering and office units, available on a monthly licence.
- 2.3. The Centre offers support to these businesses by providing a telephone system, reception facilities and other general office services, i.e. photocopying, faxing etc.. The Enterprise Centre Manager is also a fully accredited Business Advisor and this facility is also available if required.
- 2.4. This is a discretionary service area and comes under the responsibility of the Development Services Directorate. The Centre itself is staffed by 2 full time members of staff, the Enterprise Centre Manager and a Clerical Support Officer. Ultimately the Manager reports to the Business Development Officer.
- 2.5. The overall 2009/10 budgeted expenditure is £233,200 which is offset by revenue of £142,000 inclusive of £115,800 budgeted rental income.

3. Associated Risks of Providing this Service/Function

- 3.1. The Enterprise Centre is not included in the Development Services Risk Register.:
- 3.2. Risks identified by Internal Audit as part of this review are considered to be:
- Accounting for Income and Expenditure.
 - Lease Agreement with NWE.

Please note that on conclusion of the audit, any critical risks outlined at 3.2. should be assessed by the relevant Director for incorporation into the Directorate's Risk Register or, if considered to be a strategic risk, for discussion at the Risk Management Group.

4. Scope of the Audit

- 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 the risks identified. Key areas for review and a summary of the findings are outlined overleaf.

	<u>Area Examined</u>
1.	Policy & Procedures
2.	Lease Agreements
3.	Rental Income
4.	Deposits
5.	Income & Expenditure
6.	Insurances
7.	Building Security.

5. Overall Conclusion of the Audit Review

- 5.1. A number of opportunities to further enhance controls have been identified. These are shown in the appendices and have been brought to the attention of the relevant Heads of Service. In summary the key issues arising from this review are:
- 5.1.1. At present, there are no officially documented procedures. Staff appreciate that it is essential that a manual is developed providing a reference document for all daily, weekly and monthly procedures and will endeavour to begin this task. A reasonable timescale for completing this exercise will be required and it is appreciated by Audit Services that resources are limited and that the documentation of all systems will be onerous. However, as the documentation of all systems is an Audit Commission requirement, it is important that a procedures manual is put into place as soon as practicable.
- 5.1.2. Overall, the lease and tenancy agreements are in order and as a result of this review, Accountancy, Property and Development Services records are all now consistent with each other. After a few minor adjustments are made, the systems can be said to be sound.
- 5.1.3. It can be concluded that in general, The Enterprise Centre staff, in conjunction with the Debtors Section do ensure that rental income is paid regularly. The current financial climate has of course had a direct effect on existing small businesses and potential new lettings. Despite this, the Enterprise Centre is still performing well above the industry standard average for letting capacity.
- 5.1.4. There is an issue with the Enterprise Centre staff accepting large sums of cash as rent payments thereby constituting an unnecessary risk. Procedures to counteract this have been suggested which will significantly reduce this risk.
- 5.1.5. The system of accounting for deposits has not been a structured process in the past. The necessary financial arrangements have now been developed and put into place. There is however, still a problem with each section receiving the necessary information which is leading to reconciliation problems. This can be addressed however with the implementation of a simple notification process that ensures that all relevant sections receive the same details in full.
- 5.1.6. There are a number of issues that need addressing regarding the coding of income and expenditure and suitable recommendations are made in this report.
- 5.1.7. There is a system in place for the checking of tenants Public Liability Insurance details. Care should be taken however to obtain and retain evidence that this check has taken place to provide an audit trail and to ensure that this extremely important control is not overlooked.

5.1.8. Like the majority of services the Council provides, Enterprise Centre budgets are restricted. The problem is however, the duty of care that the Council has as a landlord, not only through its lease with Norweb (now ENW), which has conditions within that are legally binding, but also to provide safe working conditions for their tenants. It is imperative that this fact is taken into account when deciding the future of the building and what investment can realistically be offered.

6. Grading of Audit Recommendations

6.1. Each recommendation/agreed audit action, in Appendix A, has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

<u>Grade</u>	<u>Level of Risk</u>
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	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).

6.2. There are 22 recommendations arising from this review. 7 at grade B, 13 at grade C and 2 at grade D.

7. Statement of Assurance

Based on the audit approach, issues and the grading of the recommendations arising from this review, it is considered that a **REASONABLE** level of assurance can be given in relation to the systems of control (see definition below).

<u>Level</u>	<u>Evaluation</u>
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. 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.

Please note that audit reports may contain confidential data and in accordance with the *CIPFA Code of Practice for Internal Audit*, these **must not** be distributed wider than the distribution list without seeking prior permission from the Head of Audit Services.

1. POLICY & PROCEDURES

Potential Risks:

- ❖ *That policies and procedures are not documented.*
- ❖ *That documented procedures are not current.*
- ❖ *That documented procedures are not updated regularly.*

1.1. Audit Work / Systems Testing Completed

- 1.1.1. Discussions with staff.
- 1.1.2. Examination of current office manual/instruction notes/timetables.

1.2. Matters Arising

- 1.2.1. Currently there is no office manual. Officers were unaware of the requirement to have to develop one as there has never been a procedural manual in the past. – **Refer to recommendation 1a.**
 - 1.2.2. The Enterprise Centre Manager appreciated the need to develop a manual and agreed to do so, however, as this will have to be done from scratch, this will be a lengthy task performed by limited resources. This is appreciated therefore a longer timescale for implementation should be agreed.
 - 1.2.3. All operational activities should be included, for example:-
 - Allocation of prospective tenancies – full procedures from initial interest in the units, to the suitability assessment.
 - Tour of the building – including explanation of parking restrictions, health and safety requirements etc.
 - Processing of tenancy application – including explanation of how tenancy works, rent arrangements, service charges and clearance arrangements (audit form). Completion of Financial Check form for Audit Services.
 - Tenancy Completion – Including handover arrangements, public liability insurance checks and health & safety and security briefs. Compilation of the tenants file.
 - Administration of tenant accounts – Comprehensive notes describing methods of recharging for electricity, water and administrative support.
 - Income and Expenditure – Procedures for accounting for the receipt of income and the allocation of expenditure in accordance with the correct accounting rules (as per outlined further on in this report).
 - General Administration – Outline procedures for any regular 'other' administrative duties that arise.
 - 1.2.4. This list is not exhaustive and Enterprise Centre staff should use their discretion to decide if it would be beneficial to document other procedures.
- ### 1.3. Conclusion
- 1.3.1. All systems should be documented as soon as resources allow and updated on a regular basis. The Financial Procedure Rules will be forwarded to the Centre Manager for information.

2. LEASE/TENANCY AGREEMENTS

Potential Risks:

- ❖ *That lease/tenancy agreements are not legally viable.*
- ❖ *That the terms and conditions of the lease/tenancy do not protect Carlisle City Councils assets.*
- ❖ *That the terms and conditions of the lease/tenancy agreements are allowed to be abused.*
- ❖ *That lease/tenancy agreements are issued to unsuitable businesses.*

2.1. Audit Work / Systems Testing Completed

- 2.1.1. Discussions with staff.
- 2.1.2. Examination of standard lease agreement.
- 2.1.3. Total check of current lease agreements to ensure that they are duly signed and dated. Cross check sample of financial checks to current tenants to ensure they have been carried out prior to lease being issued.

2.2. Matters Arising

- 2.2.1. When a prospective application is received, the Centre Manager asks questions regarding the nature of their business. The Manager then evaluates the nature of the business and decides if they are eligible to rent a unit. The prospective tenants are then given a tour of the building and all the usual H&S requirements are explained. If after this, the client is interested in a unit then they complete a form which is sent to Audit Services for the necessary financial checks to be made.
- 2.2.2. The Financial checks involve contacting various sections within the Authority to see what outstanding debt they already may have with us. The following accounts are checked:-
 - NNDR – Under Data Protection we can ask for details of companies but not individuals.
 - Sundry Debtors – Under Data Protection we can request information for details on both individuals and companies.
 - Housing Benefits – Under Data Protection we can request information regarding individuals.

A conclusion, identifying the risks based on the findings of these tests is then provided. A decision is made whether or not to act upon this advice and proceed with the tenancy. The conclusion provided is normally the advice that is followed.

- 2.2.3. A sample of financial checks were examined to ensure that they were undertaken prior to the tenants being accepted. All tested were proven to have been carried out correctly.
- 2.2.4. It has only been practice to provide Property Services with unit tenancy agreements since mid 2008 coinciding with the transfer of Brampton Business Centre. Therefore, their records are not complete. A complete set of tenancy agreements are retained at the Enterprise Centre. These were inspected and the records were complete. Copies of these were obtained and provided to Property Services so that their records and The Enterprise Centre records are consistent.
- 2.2.5. The landlord normally gives 3 months warning of the contracts termination unless there is breach of contract when termination will be immediate. This arrangement works to the benefit of both parties, especially in the current financial climate. This flexibility enables struggling businesses to 'leap before they are pushed' if they are encountering financial trouble. If they

are able to terminate their tenancy before they are forced into liquidation they would not incur additional debt that they have no way of paying and at some point in the future when their financial prospects are better they may be able to return and trade again. It also enables the Council to terminate the lease for whatever viable breach without incurring lengthy and reputationally risky legal battles to get out of a long term lease.

- 2.2.6. Property Services negotiated and control the 6 year leases with Progressive Finance and West Walls. Under the terms of the lease, the rent is payable quarterly in advance. Testing proved that there were no outstanding invoices and the quarterly charges had been done so in line with the rent negotiated by Property.
- 2.2.7. There are 3 versions of the tenancy agreement. Limited Company, Limited by Guarantee and Non-limited company. Essentially the terms and conditions are the same but with minor variations to cover the legal differences in case of breach of contract. A test was undertaken to ensure that the correct form had been used in each case. Since the forms were only introduced in 2007/08, the older tenancies were officiated on a standard form with no distinction between limited and non limited. The tenancies arranged after this date were all completed using the correct form.
- 2.2.8. There were 2 occasions when the tenancy agreements had not been signed by the Head of Legal Services. This could make the agreement in effect invalid. – **Refer to recommendation 2a.**
- 2.2.9. One of the tenancies held by Carlisle City Council for storage is in the registered name of an officer who is no longer employed by the Authority. There is an obligation to have an up to date agreement with a designated person responsible for tenancy matters.– **Refer to recommendation 2b.**
- 2.3. **Conclusion**
- 2.3.1. If the suggested recommendations are implemented, then the systems and controls surrounding the administration of lease and tenancy agreements are sound.

3. RENTAL INCOME

Potential Risks:

- ❖ ***That rental income is not recovered with adherence to the Council debt recovery policy.***
- ❖ ***That bad payers are still allowed to trade from the units despite breaching their tenancy agreement by not paying.***
- ❖ ***That tenants get charged the incorrect rent.***
- ❖ ***That rental income is not paid in securely and in full.***
- ❖ ***That rental income is untraceable.***

3.1. Audit Work / Systems Testing Completed

- 3.1.1. Discussions with staff.
- 3.1.2. Walkthrough test of all current to ensure that payment has been made in agreement with the terms of their leases.
- 3.1.3. Reconciliation of 2009/10 rent reviews to 2009/10 payment schedule.
- 3.1.4. Reconciliation of tenancy information retained in Property with the physical occupation of units at the Enterprise Centre.
- 3.1.5. Reconciliation of all service charges payments.

3.2. Matters Arising

- 3.2.1. The Rent Reviews take place from November each year in time for the following April budget forecasts. The review is undertaken then the tenant is given the outcome in writing and requested to send the signed agreement back (if approved). The increase to monthly rent (if any) is then sent to the debtors section for annual billing. The debtors section retains this record that is provided by Property for reference.

Testing concluded that the 2009/10 rent reviews had been actioned and the correct amount billed.

- 3.2.2. The debtors section bill on a monthly basis for tenancies and quarterly for lease payments. Service charges and telephone/office services are also billed monthly. The 2009/10 financial years transactions to date showed that all tenancies apart from two were up to date with their payments. The two tenancies that were not up to date were only a month behind with their payments and appropriate recovery action was being pursued.
- 3.2.3. On 5th March 2007 Property Services quoted that the service charge includes buildings insurance, centre management and staff, fire alarms maintenance, receipt of post and the ability to use the communal skips for office waste. The 2009/10 charge for this is £41.40. An additional monthly charge for water supply is made and billed by the debtors section. Responsibility for surface water drainage costs is the tenants which is charged to the centre then recharged to the tenant. Testing showed that all tenants, apart from two were up to date with their service charges. The necessary recovery action was being taken.
- 3.2.4. According to the tenancy agreements on the smaller units, rent is to be paid on the 1st of each month. If a tenant is experiencing cash flow problems. There is a payment arrangement facility in place which is used intermittently when Enterprise Centre staff think that it is in both the benefits of the Centre and the tenant. In the rare cases this does occur, discussions take place with the Business Development Officer and full details of the agreement maintained. Debtors are informed and the monthly payments altered. The arrangement always seeks to ensure that the annual rent is paid in the correct financial year so effectively no 'discount' is given; payments are merely amended to improve the tenants cash flow.
- 3.2.5. All of the current tenants rent accounts were inspected to ensure that payments were up to date. There were only two tenants that had defaulted on one payment and the debt recovery system had been instigated and both of the debts were at bailiff stage at the time of the testing. This affirmed that the current recovery procedures are adequate.
- 3.2.6. Economic Development rent out three of the units for storage purposes. Apart from the unit stated above there are no tenancy agreements or arrangements in place. No rent is paid although Business Rates are chargeable. Although it appears that the accounting is 'circular' as it will be Economic Development effectively paying Economic Development, to comply with BVACOP, the rentable income should be shown as is. For clarity and openness purposes rent should be payable and seen as being rentable income in the accounts. – **Refer to recommendation 3a.**
- 3.2.7. Occasionally tenants pay their rent in cash straight to Enterprise Centre Staff. This can be a considerable amount of money. The Centre staff then have to transport the cash back to the civic centre to be paid in. This poses a security risk. Further enquiries established that the tenant who occasionally pays the rent in this way does indeed have a cheque book and it would be preferable for payment to be paid in this way. Although there will always be a requisite to be able to take small amounts of cash due to the nature of the business, safe limits should be identified. – **Refer to recommendation 3b.**

- 3.2.8. In 2007/08 Property Services conducted a valuation exercise which saw the rents increase and decrease dependent on what their prior arrangements had been. This exercise is carried out with input from the Enterprise Centre Manager and the Business Development Manager. Prior to this, rents had been basically negotiated. This was an unfair arrangement therefore it was decided to bring all units to a common price structure. As the Centre has several units without natural light and ventilation, a 5% surcharge is added to those that do (as assessed by Property Services in 2007). If a tenant is resident for more than 2 years then a 10% levy is added to the rent and again at the 2 and a half year point. The reason for this is to bring the assisted rents more in line with commercial rents.

To calculate the rent, a base rent is used, currently this is £5.25 per foot per year and this is then multiplied by area, the surcharge added for lighting/ventilation and the 2 to 2 and a half year levies added. The service charges are added and VAT.

The rent information from Debtors, Property Services and the Enterprise Centre were compared for consistency. It was proven that each section are holding the same information when calculating the basic rents; however there was some confusion as to the additional costs and levies and therefore the information differed slightly. It was a minimal amount (less than £60.00 overall). Although it was a minimal amount, this highlighted a slight weakness in the system, which can be easily rectified – **Refer to recommendation. 3c.**

- 3.2.9. In 2008/09 the average letting percentage was 80%. Previous to this the lettings averaged 90%. There are a number of reasons for this reduction i.e. current financial climate and also the introduction of VAT on rents in 2007 which would have been contributory towards the reduction in lettings as it raised the cost of the rents.
- 3.2.10. The Enterprise Centre is a member of the UK Business Incubation (UKBI). This is the professional body for business centres. They report that a normal figure for average lettings is 80% and that at this moment in time, the actual current average is only 60% so the Enterprise Centre in this current climate is actually performing well.
- 3.2.11. The 2008/09 budget figures were £90,200 however actual income was £116,488.53. The projected income for 2009/10 is £115,800 however the income to period 06/09 was in deficit by £900, which if no empty units are let, or if existing tenants leave then the projected income could be estimated to be in deficit by £1,800. An issue has also arisen whereby the deposits are to be balanced (see section 4). This balancing figure is £650.00 and will also reduce the income figure by this amount.
- 3.2.12. A recent marketing venture where the Centre was advertised in the Carlisle Focus did generate more interest but the take-up as a result of this is not evident at present. – **Refer to recommendation 3d.**

3.3. Conclusion

- 3.3.1. The controls surrounding the collection of rents are in the main, adequate. There are some concerns over the accumulation of large amounts of cash in the Centre office, however, this risk can be reduced by insisting that the tenants pay debtor accounts in the recommended way, by cheque, BACS or in person at the Civic Centre.

4. **DEPOSITS.**

Potential Risks:

- ❖ ***That the deposits records do not reconcile to the General Ledger or the Debtors records.***
- ❖ ***That deposits are not accounted for correctly.***

4.1. Audit Work / Systems Testing Completed

4.1.1. Discussions with staff.

4.1.2. Reconciliation of deposit records (lease agreements) with General Ledger and tenant records.

4.2. Matters Arising

4.2.1. Deposits are paid on completion of the tenancy. A letter is then sent to Debtors confirming that a new tenant is moving into the Centre and it usually has a rent cheque attached which debtors then pay into cashiers on code 21100/8470, a receipt is usually retained but not in all cases. – **Refer to recommendation 4a.**

4.2.2. It was noted that the current method of Accounting is not the most suitable. At present, the deposits are paid directly into ledger code 21100/8470 – which is enterprise centre – general rent income. When a tenant leaves the returned deposit is again paid out of this code. This is bad Accounting practice for two reasons. Firstly, under BVACOP expenditure should never be paid from an income code and secondly, as the retention of deposits is not strictly rental income it should not be shown as revenue income on the balance sheet. To counteract this, Financial Services have set up three new ledger codes which are control codes and will not appear on the balance sheet. These are:

X1190/0000 – Enterprise Centre Deposits/Balance Brought Forward.

X1190/7020 – Enterprise Centre Deposits/Principal Paid.

X1190/8480 – Enterprise Centre Deposits/Refundable Deposits.

4.2.3. These codes should now be used to with immediate effect. Financial Services staff have transferred the transactions. – **Refer to recommendation 4b.**

4.2.4. It was apparent at the time of the review that the deposits were difficult to balance from source records to the General Ledger. Reasons for this included that the deposits are not confined to one financial year, information gets lost (floods) and the Financial Services staff are not provided with enough detailed records to reconcile to the ledger. It would be a much more efficient method if when the Enterprise Centre notify Debtors of the deposit that they at the same time notify their Financial Services contact. – **Refer to recommendation 4c.**

4.2.5. As stated above an element of audit testing involved reconciling the ledger records to both the Enterprise Centre details. There was a discrepancy that due to the length of time that some of the deposits have been held could not be resolved without a considerable amount of work and even then, this could not be guaranteed.

4.2.6. As the ledger entry could not be balanced, the most sensible remedial action would be to start with a 'clean sheet' and balance the entry to the information held by the Enterprise Centre. The reason for this being is that this information is concise. It shows who is in the units now, the amount that they paid so whatever the other information shows, this is the amount that the Authority is physically holding and what will at some point have to be repaid.

This balance amounts to £4,850. The Ledger records stated £4,200, a difference of £650. As stated in point 4.2.2. The deposits have moved from the 'General Rental Income' (21100/8470) code onto a deposits received code (X1190/8480). This difference of £650.00 which will reduce the General Income received figure by this amount although the bottom line will remain the same. – **Refer to recommendation 4d.**

4.2.7. Financial Services staff are to transfer this balance for inclusion in period 06/09 FIS reports.

4.2.8. Recommendation 4c. Will assist to simplify the deposit reconciliation process.

4.3. Conclusion

Previously, accounting for deposits was not a structured process. A correct financial structure is now in place and should resolve the main issues.

5. **INCOME & EXPENDITURE.**

Potential Risks:

- ❖ ***That unauthorised, incorrect or fraudulent expenditure is being processed through the system.***
- ❖ ***That all income due is not charged, billed or recovered in accordance with Carlisle City Council procedures.***
- ❖ ***That all expenditure incurred and income received is not accounted for in line with Accountancy principles.***

5.1. Audit Work / Systems Testing Completed

5.1.1. Discussions with staff.

5.1.2. Examination and analysis of any major under/overspends reported in period 13 2008/09 and 2009/10 to date (period 06).

5.1.3. Examination and analysis of income codes to identify source of income.

5.1.4. Walkthrough sample test of 5 instances where internal postage services were provided to tenants to ensure that they were billed appropriately and the income was received.

5.1.5. Petty cash reconciliation.

5.2. Matters Arising

5.2.1. The full range of Enterprise Centre financial codes was examined. From these, 12 codes were selected for further analysis due to either the value of the over/underspend or the nature of the expenditure. The issues identified were:-

- **21100/1014 – Premises Alterations.** This code was used to charge the cost of key cutting. Key cutting is not strictly an alteration expense, it is more of a general expense, so therefore should be charged to a "3" sub-code. In addition, when key cutting costs have been recharged to tenants, the income has been assigned to this expenditure code. Any income received should be assigned to an income code so that gross expenditure and income can be identified. – **Refer to recommendation 5a.**
- **21100/1105 – Electricity – Small Users.** Generally electricity is contracted direct between the client and their electricity supplier. Units 6,18,44,45 and 47 run off the Centre's account and have a local meter installed. The Centre then bill them for units used at the rate they have been charged (it is illegal to make a profit).

These tenants are also charged an equal share of the standard charge for that supply. There is evidence that this has been working satisfactorily, however, like the issue above, recharged expenditure should be allocated to an income code so that the true expenditure on electricity can be established.

The net figure stated in 2008/09 was £7,563.12 which first appears as if that was the full expenditure for the year when in fact it was £9,026.93 expenditure and -£1,463.81 recharged income. The 2009/10 figure to period 06/09 is £3,313.75. This consists of £3,877.43 expenditure and -£563.68 recharged income.

The gross figure should be presented so that the correct management information can then be used in any future efficiency making decisions. – **Refer to recommendation 5b.**

- **21100/1303 – NNDR.** NNDR has only been charged on units that are occupied as storage facilities or office space. In 2009/10 the Government introduced a temporary measure that meant that properties with a rateable value below £15,000 are exempt if they are empty. From 01/04/10, the threshold will return to £2,200. There is a possibility that the Government may alter this limit as they have done in the past as there is a revaluation exercise due in April 2010, however, the consequence of this cannot be estimated at present. It should be presumed that the NNDR costs will rise however and this should be reflected in the 2010/11 budgets. – **Refer to recommendation 5c.**
- **21100/1401 – Metered Water Charge.** Water is billed as part of the service charge unless the tenant specifically uses water for business use, then there is a flat rate per month of £10.00 for at will units. Once again the water charges were shown net. In 2008/09 expenditure was reported as being £472.72 when in fact it was £1,242.72 with recharges of £770.00. In 2009/10 to period 06, expenditure was £411.45 and recharges £308.00. – **Refer to recommendation 5b.**
- **21100/3302 - Printing and Photocopying.** – There is no budget assigned to this code and previous expenditure has been charged to Office Equipment and Furniture. – **Refer to recommendation 5d.**
- **21100/3501 - Postages.** – Some of this charge will involve the Enterprise Centres own personal postage charge. As there is no Keeper collection service they do not have an internal mail system as such. Due to their remote location and the occasional lone working arrangements, it is sometimes necessary to post documents etc.. to other Council locations.
The Keepers collect and deposit mail at Bousteads Grassing on a daily basis. The Enterprise Centre is en-route to the Grassing with its own car parking so it would be easy to add this location onto their existing round. No reason was found why this was not already the case and it is thought that it may have just been a historic arrangement and dated back to when the Keepers used to deliver on foot. – **Refer to recommendation 5e.**
- **21100/8306 – Postal Charge Income.** A minor maintenance charge is levied which is necessary to cover the replacement costs of the franking machine. A spreadsheet is maintained to calculate the cost which then produces a statement that is given to each tenant. Due to the small amounts involved (generally) this is mostly paid in cash at the Enterprise Centre then paid in weekly by Centre staff at the Civic Centre. Examining the income to date, dependant on tenancy rates and postal usage remaining static, it does not appear that income will cover postal expenditure as the expenditure on franking credits appears to have increased. – **Refer to recommendation 5f.**
- **21100/8307 – Service Charge Income.** Although the nominal code description states that this is a service charge income, the actual income is all photocopying and printing

income. This income should be allocated to the correct detail code so that the accounts present a true picture of the income and expenditure. – **Refer to recommendation 5g.**

- *21100/8426 – Miscellaneous Income.* As above. All of the service charges have been charged here. As previously stated, by miscoding, management get a misrepresentation of the actual performance of the Centre. The relevant ledger codes will have to be set up for use during 2009/10 and the balances transferred from the incorrect codes. – Refer **to recommendation 5h.**

5.3. Conclusion

- 5.3.1. There are a number of issues arising regarding the accounting for income and expenditure. These issues are required to be resolved prior to year end so that the true accounting picture can be evaluated.

6. **PUBLIC LIABILITY INSURANCES**

Potential Risks:

- ❖ ***That tenants do not have adequate insurance arrangements for their business putting the Councils integrity at risk.***

6.1. Audit Work / Systems Testing Completed

- 6.1.1. Discussions with staff.
- 6.1.2. Examination of records to ensure that sufficient information is requested and retained to ensure that all businesses operating from the Enterprise Centre have sufficient and current insurance cover.

6.2. Matters Arising

- 6.2.1. Evidence was collated to ensure that all current operating tenants had adequate public liability insurance. The current limit of indemnity must be at least £2m.
- 6.2.2. There is a system in place to ensure that the businesses provide details of their insurance cover before a unit is allowed to be let. Details provided are logged by the Enterprise Centre staff and reminders notifying them of the requirement to provide this information are sent to the tenants when their policies are due to expire.
- 6.2.3. A copy of the current insurance cover was requested for all units. During testing it was established that there were a couple of units for which copies of the policies were initially unavailable, at Audit request these were obtained from the tenants and provided. This was merely an oversight in the maintenance of the records as the insurance information had been provided prior to letting. As long as it is ensured that some kind of proof of checking the insurances is maintained at the Enterprise Centre, this will be sufficient.
- 6.2.4. There was one instance where confirmation of insurance could not be obtained as the tenant was on holiday at the time of the review. It is assured that the copy will be obtained and forwarded to Audit Services to complete their records.

6.3. Conclusion

- 6.3.1. There is a system in place for the checking of PL insurance details. Care should be taken however to obtaining evidence that this check is taking place to provide an audit trail and to ensure that this extremely important check is not overlooked.

7. **BUILDING SECURITY**

Potential Risks:

- ❖ ***That the building is not maintained to a standard that ensures the Council does not breach its duty of care or other legal liabilities.***

7.1. **Audit Work / Systems Testing Completed**

- 7.1.1. Discussions with staff.
- 7.1.2. Brief inspection of the building.
- 7.1.3. Analysis of Building maintenance Budget.

7.2. **Matters Arising**

7.2.1. The Enterprise Centre itself comprises 3 different buildings that have been adjoined over the years. As the buildings were built in three different 'era's' different stone and other materials have been used. This has resulted in the different parts of the buildings ageing at different rates. Currently there is a lot of work which could be done to improve both the appearance of the building and improve energy efficiency. At present however the budget is limited. The budget for 2009/10 is only £43,600 for both reactive, planned and improvement works but the majority of this budget is controlled by the building maintenance team in any case. This budget as it stands would not be enough to carry out everything that needs repaired or replaced during this financial year. Consideration should be given to making a capital bid for funding to make the necessary structural repairs as the Enterprise Centre should fulfil the criteria for making a bid. Its success or otherwise will be attributed to the quality of the business case presented. – **Refer to recommendation 7a.**

7.2.2. The inspection of the engine room initiated questions as to the history of the building. The building was originally built by John Laing as a purpose built electricity sub-station (which was then owned by the Council) and the engine room still houses the operational electricity grid under its flooring. As a result of the information gained, a copy of the lease agreement between Norweb (now ENW) was obtained.

The lease dated 26th March 1987 allows Norweb and their successors in title (now ENW) to use the buildings, land, rooms and basements at the Enterprise Centre for a term of 99 years from that date.

The company also has a right to erect a new sub-station from those parts of the premises that are attached to the lease. The Council also has a duty of care to ensure that they provide support for the premises so that the leased area and the equipment stored within are safe and free from damage. Effectively this means that the Council cannot carry out any alterations to the Enterprise Centre that will interfere with ENW's occupation and use. To terminate this lease prematurely would involve buying out the company which would presumably cost hundreds of thousands of pounds to relocate all their equipment and find suitable premises. – **Refer to recommendation 7b.**

7.2.3. At present, all tenants are provided with a key to enable access to the centre 24 hours a day 365 days a week.

So far there has been no issue of problem tenants, and controls are in place to sign keys in and out. However, under these existing arrangements there is a possibility that if there was a problem with the tenancy and the tenant was asked to leave that they could use this key to enter the building and cause damage. There is CCTV around the building, however, if this building was to be damaged by fire for instance and the perpetrator had key access to the

building, it would not look favourable on the Councils Risk Management arrangements. Damage caused in any way that can be construed as negligence on behalf of the Council could affect any insurance liability. Along with the duty of care the Council has for ENW's premises and equipment then this could prove to be an expensive incident to the Council.

A way to minimise this risk would be to replace the key access to the door with PC based fob access. This would prevent copies of keys being made and unauthorised access gained as it would be a simple task of cancelling the fob and rendering it disabled. There are other considerations to be taken into account before this is implemented, i.e health and safety requirements regarding exits etc.. – **Refer to recommendation 7c.**

- 7.2.4. As the building is a considerable age it should be expected that asbestos will be present in parts. Although there is no legal requirement to remove asbestos, it has to be suitably managed and made safe. - **Refer to recommendation 7d.**

7.3. Conclusion

- 7.3.1. The Council has a duty of care as a landlord to provide safe working conditions for their tenants and lessee's. Management should plan for the future of the building and make the necessary budgetary decisions to fulfil this plan.

Audit of the Enterprise Centre – Development Services.

Please could the responsible officer insert a realistic implementation target date to fully address the agreed recommendation(s).

<u>Ref</u>	<u>Issue</u>	<u>Recommendation</u>	<u>Grade</u>	<u>Target Date</u>
1a	There is no current office procedure manual in place.	<p>The Enterprise Centre staff should begin to document all of the daily, weekly and monthly procedures that are inherent for the efficient operation of the Enterprise Centre. This should be ultimately developed into a working manual.</p> <p><u>Comments from Business Development Officer:-</u> Accepted. Work to do this has commenced.</p>	B	31 st March 2010.
2a	There was instances when tenancy agreements were not signed by both responsible parties.	<p>Enterprise Centre staff should ensure that all tenancy agreements are complete and duly signed by both the tenant and legal services prior to the tenancy being let.</p> <p><u>Comments from Business Development Officer:-</u> Accepted. Procedure now in place. Case has been referred to a City Council Officer and has been completed.</p>	B	Completed October 2009.
2b.	The named responsible tenant for a unit rented by Carlisle City Council is no longer employed by the Authority. There is an obligation to have an up to date agreement with a designated person responsible for tenancy matters.	<p>A revised tenancy agreement for the 'Engine Room' where the 'Carlisle at Christmas' equipment is held, should be developed and signed by Legal Services and an officer from the appropriate directorate as soon as possible.</p> <p><u>Comments from Business Development Officer:-</u> Tenancy agreement has been forwarded to Director of Community Services. Awaiting return of agreement.</p>	B	31 st November 2009.
3a	Some empty units are temporarily being used for Council storage. No tenancy agreements or rental	<p>The three units utilised by Economic Development for storage should be rented and paid for in the same way as any other tenancy. This will portray a more accurate rental income figure for the Enterprise Centre. The same situation applies for the payment of Business Rates.</p>	B	Completed October 2009.

	arrangements have been put into place.	<p><u>Comments from Business Development Officer:-</u> These units were only used for a short term let for equipment that will be utilised by the Enterprise Centre after the reception renovation works have been completed. It has been agreed in principle that there will be a charge for any future City Council usage.</p>		
3b	Occasionally tenants have paid their rent in cash at the Enterprise Centre. This can mean large amounts of cash have to be kept at the Centre until staff can pay them in at the Civic Centre. This poses a security risk.	<p>The Enterprise Centre should enforce a limit for cash payment. As a basic guide it should be a Centre rule that if the tenant has been invoiced for a service by the Debtors Section, then this debt should only then be either payable by cheque at the Centre or paid in cash, in person at the Civic Centre. The Enterprise Centre can continue to take the smaller payments, i.e photocopying/postage charges in cash as these amounts involved are mostly minimal.</p> <p><u>Comments from Business Development Officer:-</u> The Centre Manager has proposed a limit of £20 for cash payments accepted within the Centre. Sums greater than £20 to be paid at the Civic Centre. Centre tenants have been informed.</p>	B	October 2009.
3c	Debtors, Property Services and the Enterprise Centre all hold the same basic rent information, however there were some discrepancies regarding additional costs and levies.	<p>Property Services furnish Debtors and the Enterprise Centre with the reviewed rents annually. Once this information has been received then all additional charges and levies should be calculated by the Enterprise Centre Manager in liaison with the Debtors Section prior to billing to ensure agreement that the information contained on the bill is complete and correct. Once the monthly bills are produced, the Centre Manager should verify these to ensure they are correct before distributing them to the tenants.</p> <p>Debtors staff and the Enterprise Centre Manager should liaise to rectify the errors identified during this review. The details of which have been provided.</p> <p><u>Comments from Business Development Officer:-</u> Accepted.</p>	C	Completed October 2009.

3d	A recent marketing venture generated more interest in the Enterprise Centre. Ultimately this could encourage tenancy take-up.	<p>Budgets allowing, consideration should be given to promoting the Enterprise Centre, perhaps in the local press in the form of an article advertising the full range of services provided, in an attempt to generate more potential tenant interest.</p> <p><u>Comments from Business Development Officer:-</u> Agreed. Marketing will be undertaken when vacancies and budget allows.</p>	D	Ongoing.
4a	Debtors pay all deposit cheques into Cashiers. As the responsible member of staff is part-time, receipts are not always retained by covering staff, leaving incomplete records.	When a deposit payment is paid into Cashiers, a receipt must always be retained by Debtors for their records. Covering staff should be informed of the necessity of doing so and ensure that receipts are received and retained in all cases.	C	October 2009
4b	Tenant deposits are being coded to the Centres 'General Rent Income' code. This is not correct accounting practice as deposits are not income and should be accounted for as capital income and expenditure.	<p>The Enterprise Centre should now code all deposits received to X1190/8480 and when instructing deposits to be refunded use X1190/7020.</p> <p>Financial Services have now transferred the 2009/10 transactions to date to the new codes.</p> <p><u>Comments from Chief Accountant:-</u> Agreed. The Enterprise Centre will be made aware of their new codes. Financial Services will continue to monitor correct coding.</p>	C	Completed. October 2009.

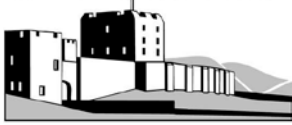
4c.	<p>The existing deposit account could not be balanced to the general ledger as historical information was unavailable. Financial Services Staff had not been furnished with sufficient detail to reconcile past payments.</p>	<p>A standard memo should be devised that acknowledges the receipt of deposit. A copy should be given to the tenant, a copy should be kept on the tenants file and a copy sent to both the Debtors Section and Financial Services so that everyone involved in the process is receiving the same complete information.</p> <p><u>Comments from Chief Accountant:-</u> Agreed. Enterprise Centre Staff to devise memorandums. Financial Services will monitor receipt of memorandums to ensure correct records are received.</p> <p><u>Comments from Business Development Officer:-</u> A memorandum has been in place for sometime, however this was not extended to Financial Services. The circulation list has now been expanded and the amount of the deposit added to this.</p>	C	Completed October 2009.
5a	<p>Expenses have been coded to inappropriate ledger codes.</p>	<p>Key cutting is not really an alteration expense. These costs should be allocated to a general expense code (21100/3***).</p> <p><u>Comments from Business Development Officer:-</u> This will now be coded to a 'security' code.</p>	C	Completed October 2009.
5b	<p>Electricity, water and key cutting accounts have been accounted for on a net basis. BVACOP (CIPFA Best Value Accounting Code of Practice) specifies that income and expenditure must be accounted for on a gross basis so that the true income and expenditure can be identified separately.</p>	<p>All service recharges must be accounted for on a separate income code. (21100/8***). The relevant finance officer should be contacted to set up any necessary codes and transfer the incorrect transactions already made.</p> <p><u>Comments from Chief Accountant:-</u> Financial Services will look into recoding.</p> <p><u>Comments from Business Development Officer:-</u> Accepted. Enterprise Centre Manager to contact relevant Finance Officer.</p>	C	31 st November 2009.

5c	<p>From 01/04/10, the Government will reduce the threshold for empty property exemptions from £15,000 to £2,200. This will mean that the empty units in the Centre may be liable for NNDR costs in 2010/11.</p>	<p>Management should be aware that the NNDR charges will increase in 2010/11 due to the cessation of the empty property relief. The 2010/11 budget should reflect this increase.</p> <p>NB-Figures released after this review show that the effect should be minimal.</p> <p><u>Comments from Chief Accountant:-</u> It is doubtful that effect will be significant enough to justify the bid. The situation will be monitored to see if the variance becomes excessive.</p> <p><u>Comments from Business Development Officer:-</u> Business Development Officer to monitor. Applies to possibly 3 units.</p>	B	March 2010.
5d	<p>There is no budget allocation for printing and photocopying. All previous expenditure was coded to Office Equipment & Furniture.</p>	<p>Code 21100/3302 Printing and Photocopying should be assigned a budget in 2010/11 with the appropriate virement made in 2009/10.</p> <p><u>Comments from Business Development Officer:-</u> Accepted. A virement will be arranged with the Finance Officer.</p>	C	October 2009.
5e	<p>The Enterprise Centre are incurring additional postage charges as they are not included in the internal mailing system.</p>	<p>The Business Development Officer should liaise with the Building Surveying Manager to arrange for the Enterprise Centre to be included in the internal mail distribution system.</p> <p><u>Comments from Business Development Officer:-</u> Enterprise Centre is now on internal mail distribution.</p>	C	Completed October 2009.
5f.	<p>Examining the postal charge income to date, dependant on tenancy rates and postal services usage remaining static, it does not appear that income will cover postal expenditure as the expenditure of franking credits appears to have</p>	<p>Enterprise Centre Management should analyse why the postal costs have risen and why the income figure has reduced. Based on this exercise, the appropriate remedial action should be taken to address any potential loss on postages.</p> <p><u>Comments from Business Development Officer:-</u> Costs have been analysed and reasons for reduction identified. This will continue to be monitored and actual remedial action will be taken when needed.</p>	C	Completed October 2009.

	increased.			
5g.	Although the general ledger code description suggests that the income is Service Charge Income, further examination showed that it was in fact Printing and Photocopying income which had been miscoded.	<p>Photocopying and Printing income that has been incorrectly coded to Service Charge Income should be transferred to the correct detail code so that the accounts present a true picture for management accounting purposes.</p> <p>In future all Photocopying and Printing income should be coded to 21100/8426 (misc income) or a specific photocopying and printing income code should be set up.</p> <p><u>Comments from Business Development Officer:-</u> Accepted. Recommendation to be actioned with Finance Officer.</p>	C	October 2009.
5h	Although the general ledger code description suggests that the income is Miscellaneous Income, further examination showed that it was in fact Service Charge income which had been miscoded.	<p>Service Charge income that has been incorrectly coded to Miscellaneous Income should be transferred to the correct detail code for the reasons stated above.</p> <p>In future, all Service Charge income should be coded to 21100/8307 (service charge income).</p> <p><u>Comments from Business Development Officer:-</u> Accepted. Recommendation to be actioned with Finance Officer.</p>	C	October 2009.
7a	The building maintenance budget is limited.	<p>In conjunction with any decisions taken as a result of recommendation 7b. That a capital bid is considered for the 2010/11 budget to present to Committee to secure additional capital funding for the maintenance of the Enterprise Centre buildings.</p> <p><u>Comments from Business Development Officer:-</u> This has been auctioned. A meeting has taken place between The Building Surveying Manager, Property Manager and Business Development Officer. A project plan has been developed and is underway.</p>	C	October 2009.

7b	ENW have a 99 year lease (due up on 2086) on part of the building which severely restricts any alterations or developments of the building.	<p>The Director of Development Services, the Business Development Officer and the Property Services Manager should form a working group to decide the future of the Enterprise Centre building and develop an appropriate project plan to accommodate this.</p> <p><u>Comments from Business Development Officer:-</u> This has been auctioned. A meeting has taken place between The Building Surveying Manager, Property Manager and Business Development Officer. A project plan has been developed and is underway.</p>	B	October 2009.
7c	The Enterprise Centre is accessible 24hours a day via a key. All tenants have access to a key. This is not the most secure method of entry available and has a high risk of incident.	<p>The Enterprise Centre Manager should liaise with the Building Maintenance Surveyors to receive advice and costings on improving tenant access security to the Enterprise Centre.</p> <p><u>Comments from Business Development Officer:-</u> As above.</p>	C	October 2009.
7d	The building is of a considerable age therefore the presence of asbestos is to be expected. There have been reports of the presence of asbestos in the basement dating back to the 1980's. Although there is no legal requirement to remove asbestos, it has to be suitably managed and made safe.	<p>The Building Surveying Manager should ensure that the risk of asbestos within the Enterprise Centre should be included in the latest risk register.</p> <p><u>Comments from the Building Surveying Manager:-</u> This has been actioned.</p>	B	October 2009.

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Corporate Services

Audit Services

Audit of Supporting People

Final Report

03 December 2009

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Directorate / Service Area	Recipients of Report	Action Required
Development Services	<p>Head of Planning & Housing (For Action)</p> <p>Strategic Director (& Deputy Chief Executive) Director of Corporate Services Housing Services & Health Partnerships Manager Homeless Persons Officer Principal Housing Officer/Homelessness and Hostel Services Hostel Manager (For Information)</p>	<p>There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Development Services, which is attached as Appendix A.</p>

1. Reason for the Audit

- 1.1. In accordance with the 2009/10 audit plan, where 'Supporting People' was assessed as a high risk audit area, a review regarding the administration of this activity by the Council has been undertaken.

2. Background Information / Summary of the Audit Area.

- 2.1. The Homelessness Act 2002 requires the Council (which has undertaken the following) to:
- Have a homelessness strategy which:
 - Seeks to prevent people becoming homeless;
 - Ensures there is enough accommodation in the area for people who might become, or are homeless; and
 - Ensures people who might be, or are homeless, have support to stop them being homeless or becoming homeless again.
 - Carry out a review of homelessness within the area.
- 2.2. The 'Carlisle Homelessness Strategy 2008-13' incorporates three specific Government targets:
- Reduce temporary accommodation by 50% by 2010;
 - Stop placing 16-17 year olds in bed and breakfast by 2010; and
 - Prevent, and reduce further, rough sleeping.
- 2.3. The Council's aim is to prevent people becoming homeless in the first place. Where this cannot be achieved the aim is to help each homeless client look at all their housing options and find the best individual solution for them. The Council does this through performing individual comprehensive assessments of need and puts in place where necessary, support and resettlement services which respond to those needs and also seek to reduce the chances of future homelessness.
- 2.4. The 'Carlisle Homeless Strategy 2008-13' fits along side the Sub Regional Homeless Strategy and through joint working under the auspices of the Cumbria Housing Group, common actions and initiatives are implemented. The homelessness strategy is implemented through the 'Homelessness Action Plan' which is currently being developed for 2008-13.
- 2.5. There are 'three steady state' contracts in operation for 'supporting people'. The detail of each contract is provided in the table below. These contracts are agreements with the Supporting People Team at Cumbria County Council who inspect the standard of service we provide to set criteria on an annual basis. The funding initially stems from Central Government which is received by Cumbria County Council who then distribute to the districts to fund low level support within the community. This funding has been secured until 2010. Following a recent Supporting People review Cumbria County Council have confirmed that the contracts will be extended until 2012.

2.6.

Contract Number	Description	2008/09 (£)	2009/10 Based upon 4% uplift (£)
70	Block Grant for Staffield House, 10 Units	93,720.73	97,469.57
136	Block Grant for Homeshares, 22 Units	38,665.17	40211.77
514	Block Grant for John Street Hostel, 22 Units	161,491.45	167,951.09
Total		293,877.35	305,632.43

Table Source: Housing Services & Health Partnerships Manager, e-mail dated 24 June 2009, which was sent to the Finance Officer in Accountancy following the print summary having been received from Supporting People Team at Cumbria County Council.

- 2.7. Previous supporting people internal audit work was undertaken in 2003 with a final report being issued during September of that year. The report contained 4 recommendations, 2 at grade A, 1 at grade C and 1 at grade D. This would accord to a restricted assurance under the current categorisation stated below. The 2 grade A recommendations were discussed with the Housing Services & Health Partnerships Manager who confirmed that both recommendations have been implemented.

3. **Associated Risks of Providing this Service/Function**

- 3.1. Examination of the Risk Registers noted the following risks:

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<i><u>Risk Description:</u> Provision of grants <u>Action:</u> Operational – control through the managed service and the Housing Strategy reporting process</i>	Operational Risk Register Latest update: April 2008	Low (4)
<i><u>Risk Description:</u> Private rented sector <u>Action:</u> Operational – control through the managed service and the Housing Strategy reporting process</i>		Low (2)
<i><u>Risk Description:</u> Health Partnerships <u>Action:</u> Operational – control through the managed service and the Housing Strategy reporting process</i>		Low (2)
<i><u>Risk Description:</u> Homelessness Strategy <u>Action:</u> Operational – control through the managed service and the Housing Strategy reporting process</i>		Low / Medium (6)
<i><u>Risk Description:</u> Contract monitoring <u>Action:</u> Operational – control through the managed service and the Housing Strategy reporting process</i>		Low / Medium (6)
<i><u>Risk Description:</u> Homelessness operational <u>Action:</u> Operational – control through the managed service and the Housing Strategy reporting process</i>		Low / Medium (6)
<i><u>Risk Description:</u> Housing capital projects <u>Action:</u> Project overseen by Corporate Project Board</i>		Low / Medium (6)
<i><u>Risk Description:</u> Home Improvement Agency taken in-house <u>Action:</u> Operational management provided in-house instead of externally through an Agent - also through the Housing Strategy process</i>		Low / Medium (4)
<i><u>Risk Description:</u> Ghyll Bank Gypsy and Traveller Site <u>Action:</u> Land owner doesn't sign up to option. Bid to CLG may</i>		Low /

<p><i>be jeopardised – Communication is constant regarding the progression of the option</i></p> <p><i>Unsuccessful bid to CLG. Scheme cannot proceed, provision of land may have to be made via local plan. No addition site provision in Carlisle – If bid unsuccessful use of planning responsibility exercised</i></p> <p><i>Sustainability of site. If site is not attractive to the community then it will not be sustainable – Consultation as part of the bid on the design of site with the Gypsy & Traveller community</i></p> <p><i>Revenue funding is key to fund the management of the site – Discussions with supporting people regarding grant and business planning for the rental income that the site would generate</i></p> <p><u>Risk Description:</u> <i>London Road Hostel replacement and Centre of Excellence</i> <u>Action:</u> <i>See risks attached from Business Case</i></p> <p>(See Recommendation/Agreed Action 5)</p>		<p><i>Medium (4)</i></p> <p><i>Low / Medium (4)</i></p> <p><i>Low / Medium (6)</i></p> <p><i>High (6)</i></p> <p><i>Medium (6)</i></p>
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4. Scope of the Audit

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 the risks identified. The key areas reviewed are stated in the table, and a summary of findings has been included in Section 5 below.

	Areas Examined
1.	Policies & Procedures
2.	Initial contact, Applications & Assessment
3.	Determination & Support
4.	Property Records
5.	Management Monitoring & Review Arrangements
6.	Income & Expenditure

5. Overall Conclusion of the Audit Review

5.1. The audit review revealed good controls to be in operation; however, areas were identified where controls could be enhanced further, thus, providing the opportunity to increase the robustness of the system. These are shown in appendix A and are to be brought to the attention of the Head of Planning & Housing. In summary the key issues arising from this review are:

- More frequent review and update of:
 - Homeless Strategy;
 - Procedures/Guidance Manual; and
 - Operational Risk Register.
- Preparation and operational implementation of a records retention policy;

- A clearer trail of the implementation, monitoring and review of the Homeless Strategy;
- Cash income received by the John Street Hostel should be taken to the Cashiers on a more regular basis. At both Hostels the cashier receipts should be promptly filed and placed in receipt order number;
- A record of under/overs should be maintained detailing differences arising between recorded cash income received and the cashier receipt;
- A system of transfer of responsibilities of money should be introduced as required by the Council's Financial Procedure Rules;
- There should be independent reviews undertaken over the system to ensure controls are operating effectively; and
- A review is required of the cost centre codes to ensure income and expenditure is properly coded, the code narrative adequately describes the nature of the transactions posted and there is consistency between the cost centre codes and coding of transactions.

6. Grading of Audit Recommendations

- 6.1. The audit process seeks to reduce risk to an acceptable level based on the efficient, economic and effective application of financial controls. Changes to controls suggested in audit recommendations are intended to achieve these benefits. This process reduces but does not, necessarily, wholly eliminate risk.
- 6.2. Each recommendation/agreed audit action, in Appendix A, 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	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).

- 6.3. **There are 19 recommendations arising from this review. 12 at grade B and 7 at grade C.**

7. Statement of Assurance

- 7.1. Based on the audit approach, issues and the grading of the recommendations arising from this review, it is considered that a **reasonable** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.

3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. 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.

Development Services

APPENDIX A

1. Policies & Procedures

Method of Review:

- The organisation has a clear, written and formal policy/strategy covering homelessness;
- There are clear procedure notes in place which are reviewed on a regular basis and updated to reflect current operations;
- Staff are aware that the procedure notes exist and they are easily accessible for reference; and
- Review content of Office Manual/Procedure notes.

Summary of Findings:

- 1) The Council is required to undertake a homelessness review and devise a new homelessness strategy every 5 years. The draft strategy for the period 2008-2013 as part of its formulation was widely circulated, being sent out to a range of agencies and organisations within Carlisle and beyond. These included RSL's, statutory bodies and other voluntary agencies. Feedback and comments received from the consultation process were incorporated into the final version of the strategy. The strategy also was presented to relevant committees in accordance with the Council's system of approval and submitted to Government in accordance with requirements.
- 2) Discussion with the Housing Services and Health Partnerships Manager revealed that there is no completed action plan for the implementation of the strategy as it is currently being developed. **See Recommendation/Agreed Action 1 below.**
- 3) The Homelessness Team are aware of the strategy, however the fact that the action plan is currently being developed suggests that the implementation of the strategy is not properly co-ordinated through being planned, monitored, reviewed and corrective actions taken for its efficient and effective implementation. This would also suggest that there is no cyclical link from strategic level (corporate objectives and the homelessness strategy) to management level (monitoring, review and identification of corrective actions where required) and operational level (actions taken for its implementation through day-to-day operations). **See Recommendation/Agreed Action 2 below.**
- 4) The Housing Services and Health Partnerships Manager provided a copy of the 'Homelessness Procedures and Guidance Manual', dated January 2006. It was confirmed with a member of the Homelessness Team that this document was currently in use. Further discussion revealed that there have been changes to the day-to day operations which have not been reflected within the 'Homelessness Procedures Guidance Manual'. **See Recommendation/Agreed Action 3 below.**
- 5) When asked about accessibility and access to the 'Homelessness Procedures and Guidance Manual' it was established that a hard copy is received by all relevant staff on commencement in post. **See Recommendation/Agreed Action 3 below.**
- 6) A review of the procedure/manual revealed that it could be enhanced with further coverage of operations with inclusion of the following

areas, for example:

- Maintenance of files (relevance and completeness – audit trail), including protection against loss and unauthorised access;
- Recording of properties occupied – central log;
- Management monitoring and review;
- Defined duties and responsibilities;
- Guidance for health and safety checks upon owned properties (i.e. electricity and gas checks); and
- Risks of non compliance with procedures for each element of the process.

See Recommendation/Agreed Action 4 below.

- 7) The operational risk register requested and received (risks detailed above) was found not to have been updated since April 2008. **See Recommendation/Agreed Action 5 below.**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
1	<u>See summary of findings note 2.</u> There is no evidence of the planned implementation of the 'Carlisle Homelessness Strategy 2008-13'. The risk is that that the strategy will not be implemented or achieved as intended.	Head of Planning & Housing	The Action Plan for the implementation of the 'Carlisle Homelessness Strategy 2008-13 should be completed and actioned.	B	January 2010
2	<u>See summary of findings note 3.</u> There is no monitoring or review and corrective actions taken to ensure that the strategy is effectively implemented and resources may not be effectively used in its implementation.	Head of Planning & Housing	The Action Plan should be regularly monitored and reviewed and corrective action taken where necessary for the implementation of the 'Carlisle Homeless Strategy'.	B	Quarterly as of January 2010
3	<u>See summary of findings note 4 & 5.</u> Procedure notes do not reflect operations and there is no reliable source of reference. Process errors are increased and there is no consistency of decisions. Procedures/guidance manual is important during times of staff turnover and for cover arrangements to enable service continuity.	Head of Planning & Housing	The 'Homelessness Procedures and Guidance Manual' should be reviewed (on at least an annual basis) and updated when there are changes to the system/process/legislation. Ideally the procedures/manual should be computerised (if not already) to enable changes/awareness/accessibility more easily. In any case staff should be made aware of and how to locate the 'Homelessness Procedures and Guidance Manual'.	B	November 2009 – then annually Already computerise and accessible to all staff on K:Drive

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
4	<u>See summary of findings note 6.</u> Enhancement of the procedures would allow greater knowledge and experience for the Team and provide a fuller understanding of expectations in how the process should operate. This should reduce inconsistencies of approach and evidence consideration of best practice in operations.	Head of Planning & Housing	During the review of the 'Homelessness Procedures and Guidance Manual' consideration should be given to ensure that there is full system coverage and enhancements to current procedures/manual. E.g. coverage of: <ul style="list-style-type: none"> - Maintenance of files (relevance and completeness – audit trail), protection against loss, unauthorised access and weeding procedures; - Recording of properties occupied – central log; - Management monitoring and review; - Defined duties and responsibilities; - Guidance for health and safety checks carried out on properties owned by the Council (i.e. electricity and gas checks). The requirement to ensure liaison between those who undertake the checks when property becomes vacant or where checks are undertaken between tenancies etc; and - Risks of non compliance with procedures for each element of the process. 	C	November 2009
5	<u>See summary of findings note 7.</u> There are no effective risk management practices in operation suggesting that risk management is not embedded into processes and due consideration given to these risks in service planning.	Head of Planning & Housing	The operational risk register should be regularly reviewed and updated to reflect current risks. This should take place at least on an annual basis, sooner where any changes to risks or new risks are identified. Further identification of areas to be addressed, specific to operational risk register received: <ul style="list-style-type: none"> - Paragraph 3.1 inconsistency of scores and categorisations of risk. 	B	January 2010

2. Initial Contact, Applications and Assessment

Method of Review:

- Initial contact (e.g. interviews and appointments)
Confirm:
 - With relevant officers that accurate manual records of all initial contacts (e.g. interviews, appointments and conversations held over the phone) are made. Officers also ensure that they make the applicant aware that a written decision is given to every application and that they are informed of their right to have a decision reviewed if they so wish; and
 - There is a log maintained detailing:
 - Officers on duty that day and their responsibilities (e.g. as Duty Officer, Emergency Officer);
 - A log of all applicants detailing time, date, name, address, household size and action/s taken; and
 - Reports of the log are prepared for Senior Management/Cttee on a regular basis.
- Assessment
Confirm all information is collected before an assessment is made to determine the applicants entitlement to temporary or permanent housing under legislation and all supporting documentation/information is placed on file.
- Application form
Confirm:
 - Only 'official application forms' are accepted;
 - The application form is checked for completeness and accuracy (to supporting documentation) and that the applicant has signed and dated the form;
 - Where information and supporting documentation is missing this is followed up and obtained before a decision is reached;
 - The application form and supporting documentation is placed on file to provide a complete audit trail to evidence and support decisions and actions taken; and
 - The appropriateness of the weeding process (retention of records) adopted for the retention of files by the Homelessness Team.
- Sample test
Select 10 files for review to evaluate the above.

Summary of Findings:

- 8) All the above was confirmed (Homeless Persons Officer) with the exceptions of and the additional info supplied below:
- Initial contact takes the form of phone, e-mail and in-person. Appointments are no longer undertaken (as individual/group may not turn up) in accordance with the procedure/manual (covered in Section 1 of this report);
 - The interview still takes place;
 - ID received is photocopied & placed upon file but confirmed that there are no checks undertaken to determine the genuineness of the ID;

See Recommendation/Agreed Action 6 below.

- Database comprises two components – advice database (general assistance/advice) and homeless applications database;
- Weeding process of records – once a file is finished (i.e. it is classed as ‘closed’) it is transferred to the basement. A Homelessness Support Officer is the only officer with a key; **See Recommendation/Agreed Action 8 below.**
- Current/live files are retained in the office, filed by application number; and
- Files go back to 2003 in the basement. These were not affected by the floods, as they were previously stored in the office. Need to determine at what point there is no longer a need to retain a file. This will be established by looking at the whole range of situations that could occur and mapping/charting these out to see at what point each file needs to be retained to and when it can be disposed of. E.g. of two circumstances – an application whereby there is no duty other than to provide advice and assistance and the appeal date has expired- it is probable that at this point the file could be destroyed. An application that requires a duty by the Council to find suitable accommodation and the applicant is still under the requirements for the Council to meet this duty the file would still need to be retained until there is no longer a duty and there is sufficient time passed for any come back upon the Council. Legal Service involvement should be requested to ensure all legal aspects are covered. **See Recommendation/Agreed Action 9 below.**

9) Files are held in cupboards that are locked in the office on a night or within a locked desk draw of the officer working on the file to ensure the security and confidentiality of files.

10) Sample testing of 10 files judgementally selected from the basement were obtained to cover a range of priorities and needs. Sample testing highlighted the following:

- A record of initial contact was held e.g. interviews, phone calls conversations are logged on the database for each applicant;
- Applicants received a letter of decision stating whether the application had been successful or not, providing details of how the decision was made and also in the case of unsuccessful applicants it was brought to their attention of their right to appeal the decision if they so choose;
- Applications agree to the details input into the database;
- All necessary information was collected before an assessment is made and placed upon file, however it was noted that not all files had ID proof or notes to say that ID was requested with a reason why it was not on file (e.g. applicant had no ID proof); **See Recommendation/Agreed Action 7 below.**
- All applications were made on an ‘official application’ form;
- All application forms were found to be complete (signed and dated by the applicant);
- Any information and supporting documentation that was initially missing had been followed up; and
- All applications had been placed upon file.

11) Testing revealed, generally, for most of the files: photocopies of documents and letters received were not always date stamped when received by the Council to ensure that there is a clear audit trail of when information was received. Difficulties were experienced in order to achieve this during testing. **See Recommendation/Agreed Action 10 below.**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
6	<u>See summary of findings note 8.</u> Invalid ID is provided and relied upon.	Head of Planning & Housing	Checks should be undertaken to verify/validate that the forms of ID when provided are genuine and current. <i>Service Comment:</i> <i>It would be impossible to check the validity of ID given. We carry out Police checks which usually validates a persons ID but obviously only if they are known to the Police</i>	C	In place currently
7	<u>See summary of findings note 10.</u> There is no evidence that a request has been made to obtain ID and the reason ID is not available. This results in a lack of an audit trail of actions/requests.	Head of Planning & Housing	All files should contain ID evidence and where this has been requested and not received (say for example an applicant cannot provide it) there should be a note on file indicating this fact to ensure that there is a proper audit trail.	C	In place – November 2009
8	<u>See summary of findings note 8.</u> There is no access to the basement files when the Officer responsible for the key is unavailable/away from the office.	Head of Planning & Housing	Access to the basement files should be allocated to the minimum of staff to ensure that access to the basement files is available when needed. This, however, should be at least two officers so that there is adequate cover arrangements in case of absence. <i>Service Comment:</i> <i>The Homelessness co-ordinator now has access to a key</i>	C	In place – November 2009
9	<u>See summary of findings note 8.</u> Non compliance to legislation and lack of knowledge of information held.	Head of Planning & Housing	A weeding procedure should be in place to determine the length of time a file should be retained so that the Team does not breach the Data Protection Act 1998 but at the same time retaining information which may be required to protect the Council in case of any claims and also to meet any relevant housing legislation. <i>Service Comment:</i> <i>Guidance has been sought from FOI Officer who are</i>	B	In place – November 2009

			<i>suggesting that sensitive information may be kept for up to 25 years</i>		
10	<u>See summary of findings note 11.</u> Lack of audit trail and the information available at the time of making a decision.	Head of Planning & Housing	All information on the manual files (e.g. photocopies of ID, letters received etc) should be date stamped/or manually dated when received into the Council/Team to ensure there in an appropriate audit trail and would assist in defending any appeals or further action taken by the applicant. <i>Service Comment: All date stamped from now on</i>	C	In place – November 2009

3. Determination & Support

Method of Review:

- Determination – Confirm:
 - All facts are considered and placed on file to determine the legitimacy of applications before a decision is made;
 - Checks are undertaken to ensure applicants allocated properties are properly entitled;
 - Before a property (leased or owned) is used by another tenant appropriate safety checks should be carried out on any electrical or gas items in the property (as a minimum this should be carried out before occupation of a new tenant or on an annual basis, whichever is the sooner, to ensure that landlord legal requirements are performed);
 - The use of other accommodation i.e. bed and breakfast is supported by relevant documentary evidence;
 - Checks are made and evidence obtained, which should be held on the applicants file, to determine that the claimants have 'local connections' (to justify his/her right to have bed and breakfast accommodation paid by the authority);
 - Applicants placed in bed and breakfast accommodation should be required to complete housing benefit forms;
 - The cost of bed and breakfast meals and other ineligible charges should be recovered from the applicants wherever possible; and
 - Applicants are moved out of bed and breakfast accommodation as quickly as possible.

- Support
 - Storage of furniture; and
 - Rent deposit scheme (DIGS).

- Sample testing
Use previous sample selected to test and evaluate the above.

Summary of Findings:

12) Discussion with the Homelessness Persons Officer confirmed the above. The following points were highlighted:

Determination -

- Checks made and evidence obtained re local connections to justify right to have bed & breakfast accommodation - Don't necessarily have to have local connections, requirement (covered in application form) until determination if think person homeless; and
- The use of bed & breakfast arrangements is determined by demand and whether there are hostel vacancies. Hostel places are allocated before bed & breakfast. There are circumstances whereby some applicants are not (for valid reasons) accommodated within a Hostel. A list is maintained upon the board within the office of accommodation and occupancies. Observing the board at the time all hostel places were occupied. Along side there was a list of bed & breakfast occupants.

Support –

- Storage of furniture, where applicable, is detailed on applicants file. The costs of the storage are split 50/50. The Council pays the invoice for the cost of storage then tries to reclaim the 50% share from the individual.
- Rent deposit scheme (DIGS) – Carlisle check eligibility criteria and then refer, where applicable, to DIGS which is based in Workington. The DIGS is funded by the Districts (although funding has recently not been renewed by Allerdale BC). No testing has been performed in this area as only referrals made.

13) Sample testing of the 10 files previously selected highlighted the following:

- All information received was placed upon file to determine the legitimacy of applications before a decision is made;
- Checks had been undertaken to ensure applicants allocated properties are properly entitled;
- Checks were made and evidence obtained to determine that the claimants have local connections (this is included within the application form);
- The use of other accommodation (e.g. bed and breakfast is supported by relevant documentary evidence);
- Applicants placed in bed and breakfast were found to have completed housing benefit forms and in receipt of housing benefit; and
- Applicants were moved out of bed and breakfast accommodation as quickly as possible.

No areas were identified for improvement.

4. Property Records

Method of Review:

- Confirm through discussion:
 - For each property a record is maintained listing the names of the tenants who currently are and have previously occupied the property (including dates of commencement and termination);
 - For each type of accommodation there should be an agreement signed by the tenant concerned and placed upon file otherwise there would be no record to refer in case of query or dispute;
 - The correct tenant has been recorded correctly against the allocated property on file;
 - There should be a central record of all properties available to let which should be updated when the property is no longer available
 - A central record of keys should be maintained showing when and to whom they are issued and returned. The person receiving the key should be required to sign and acknowledge receipt;
 - There should be written guidelines detailing which reasons for refusing an offer are justified. These guidelines are strictly adhered to;
 - There is a record for each applicant showing if they have refused any previous offers and their reasons for doing so; and
 - Accommodation, medical and furniture storage costs, where relevant to the previous sample can be traced to the main accounting system.

- Review, the above, via available records and documentation to evaluate compliance.

Summary of Findings:

- 14) The above was discussed with the Homeless Persons Officer. It was confirmed that there is a central record of all properties available for accommodation to be assigned. Details are maintained on the 'Homeless Database' and recorded on the notice board within the office. Both of these (database through sampling testing and the office board) have been reviewed and no areas were identified for improvement. It was confirmed that for each property a record is maintained listing the names of the tenants who currently are and have previously occupied the property (including dates of commencement and termination). A copy has been received and details checked satisfactorily to the previous sample where relevant.
- 15) For each type of accommodation there is an agreement (called a licence agreement) which is required to be signed by the tenant. Hostel agreements are kept on site. Proforma agreements were obtained. This area has only been briefly reviewed due to lack of audit time available. However, a note has been placed upon the audit file to consider specific audit coverage of the hostels during a future review.
- 16) At each hostel a record of all keys is maintained detailing when and to whom keys are issued and returned. The person receiving the key is required to sign and acknowledge receipt. Lost keys are chargeable and a refundable deposit is requested up front before the initial issue of the keys.

- 17) Discussion with the Homeless Persons Officer revealed that there is no requirement any longer to have guidelines for a justified offer in refusing accommodation. Generally the individual applies for accommodation and would apply for the accommodation that they wish. The Homeless Team do identify properties through the local paper and provide assistance and advice by contacting the relevant persons when property has been identified as suitable. There was evidence of this in the sample tested. On the other hand it was found during the testing of hostel accommodation there was a case where hostel accommodation was offered for a limited time period (28 days) as part of assistance and advice, but this was declined. No further accommodation was offered (i.e. bed & breakfast as the initial offer had been declined). N.B. both of the above situations, the applications had been assessed as the Council having no 'duty' to provide suitable accommodation under Housing Legislation, only to provide assistance and advice.
- 18) Using the sample selected previously, accommodation, medical and furniture storage costs, where relevant, for each applicant was satisfactorily traced to the main accounting system. One area of improvement was identified. This was that instead of using applicants names, it may be more appropriate to use the file reference to maintain greater confidentiality and also provide sufficient detail to enable an audit trail to be established (there was one occasion seen where a transaction had the narrative as "medical advice for 3 clients". **See Recommendation/Agreed Action 12 below.**

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
11	See summary of findings note 18. The audit trail where possible should be by file reference rather than an individual to retain confidentiality.	Head of Planning & Housing	The narrative provided to describe a transaction recorded in the main accounting system should provide an appropriate audit trail and consideration should be given to the use of the file reference rather than the applicants name to maintain confidentiality.	B	In place – November 2009

5. Management Monitoring & Review Arrangements

Method of Review:

- Through discussion and testing (where appropriate) establish:
 - There is adequate documentation that all owned housing property is appropriately insured. Insurance arrangements are in accordance with the Councils financial regulations;
 - All relevant records should be updated to ensure that insurance requirements are complied with;
 - The level of insurance cover is satisfactory; and
 - Management regularly reviews the service and the homelessness statistics for awareness to enable improvements to be made.
 - Reduce temporary accommodation by 50% by 2010;
 - Stop placing 16-17 year olds in bed and breakfast by 2010; and
 - Prevent, and reduce further, rough sleeping.
- The use of bed and breakfast accommodation should be carefully monitored and reviewed taking into account the following factors:
 - Length of average stay;
 - Profile of typical user;
 - cost; and
 - Basis for selecting bed and breakfast accommodation.

Summary of Findings:

19) Discussion with the Homeless Persons Officer revealed:

- The Homelessness Support Officer & Homeless Persons Officer regularly review the service and the homeless statistics for awareness and to enable improvements to be made. There are quarterly reports generated from the Homeless Database which are sent to CLG and internally to People, Policy & Performance.
- The use of B&B accommodation is a last resort however the method of monitoring and review of usage is mixed in the following manner:
 - Length of average stay – 2008/09 the Council accommodated a total of 89 applicants in B&B accommodation, of which 13 of those in B&B accommodation were families (either single couples or single people with dependent children). The average length of stay in B&B accommodation was 25.8 days. One individual was accommodated in a B&B for a total of 215 nights, which gave rise to a higher total average.
 - Profile of typical user, this is not monitored or reviewed as based upon 'need/priority'.
 - Cost and basis for selection of B&B accommodation. These are linked in that there are not many B&B's that will accommodate homeless person/s and are not insured to accommodate homeless person/s. This restricts the bed & breakfast accommodation available to the Council.

20) Discussions with the Facilities Manager revealed that there is a programme of health & safety checks in operation for the Council owned

homelessness properties.

No areas were identified for improvement.

6. Income & Expenditure

Method of Review:

- Determine the system of cash payments at the hostels (Staffield House and John Street). Select a sample of cash receipts and trace through system (i.e. to the entry in the main accounting system);
- In particular and in addition to the above, review receipt books to evaluate receipts are in duplicate and are consecutively numbered. Copies are retained in sequential order without any gaps within the receipt book to ensure completeness and accuracy. Cash is held securely at all times and regularly banked;
- Regular reconciliations are undertaken to ensure that the income received and the actual amount received agrees. Any discrepancies are recorded, reviewed and monitored on a regular basis. Action is taken where appropriate; and
- Discuss income and expenditure with relevant accountancy staff to establish any comments/concerns and review income and expenditure codes to identify and evaluate the following:
 - Income and expenditure correctly coded;
 - Income/expenditure which has not been recorded against an approved budget – follow up to assess explanation and awareness, actions to be taken; and
 - Identify large under/overspends – follow up to assess explanation, awareness and actions to be taken.

Summary of Findings:

- 21) The Homeless Persons Officer stated that the Council pays for accommodation only and it is at the discretion of the bed & breakfast establishment as to whether it provides breakfast.
- 22) A discussion with a Benefits Officer (Assessment) in relation to bed & breakfast accommodation used by the Homeless Team for Housing Benefit purposes revealed the following:
- The accommodation charge is an eligible expense;
 - The breakfast element is ineligible; and
 - There is a schedule of charges/deductions for ineligible expenses that are also to be deducted in arriving at the Housing Benefit payment due.
- 23) The process consists of the Housing Benefits Section receiving the invoice before payment is made to the bed & breakfast establishment. The details are logged on the Academy system in the 'rent cost screen' and the service charge deductions are made for heating, lighting etc.

The Homeless Team send an e-mail of commencement (known as an 'appointment of agent form' of an individual/family/group taking up bed & breakfast and a further e-mail when the bed & breakfast accommodation is to end. These e-mails are scanned into the Academy system. The payment made from the Housing Benefits Section is by cheque which is presented to the Cashiers by the Homeless Team to be paid in against their budget code. The cheque is posted to the rent classification code of the Supporting Vulnerable People budget in the main accounting system. If over payments are made the adjustment is made via a transfer invoice and this is posted against the refund code.

24) Four different bed & breakfast establishments were selected from the main accounting system ledger code 1201 Rents and traced to the creditors system to obtain one invoice number for each to obtain the official invoice from the filing system. The invoice detail was reviewed and it was found that only the accommodation element was paid. The sample was then traced to the Housing Benefits system, Academy, where the following was evaluated:

- Appropriate charges and deductions were properly applied;
- Evidence of dates for the accommodation had been received from the Homeless Team and appropriately applied; and
- The Housing Benefits cheque had been receipted by the Cashiers and could be traced to the main accounting system detail code 8472 HB contributions to rent.

The testing, undertaken above, did not highlight any areas for improvement.

25) At both the John Street Hostel and London Road Hostel the official receipts process was one of good practice with the use of a duplicate receipting book and the issuing of a receipt to the payee and retention of the duplicate within the receipts book. The receipts are also pre-numbered and numbered in consecutive order within the books.

26) The cash received is held in a locked receptacle and in a safe. However, discussion with hostel staff at both locations revealed that there is no transfer of the responsibility of money on change over of duties as detailed in the Council's Financial Procedure Rules, Appendix D, D.44. **See Recommendation/Agreed Action 17 below.**

27) A sample of 10 official receipts covering income received at John Street Hostel was selected. The details of each receipt were recorded and traced to the 'rent book', 'bank book' cashier receipt and to the main accounting system. Testing revealed the following:

- Official receipts were not fully completed;
- Errors were identified in the details recorded within the 'bank book'; **See Recommendation/Agreed Action 12 below.**
- The cashier receipts are not filed in any particular order; **See Recommendation/Agreed Action 14 below.**
- Cashier receipts are not filed in a timely manner and some were missing from the file;
- The sample revealed that the money received is not consistently taken to the Cashiers in a timely manner thus increasing the security risk of cash and potential for loss of Council income; **See Recommendation/Agreed Action 13 below.**
- There is no reconciliation or effective monitoring of income received by management to ensure that it is complete, accurate and

timely. There is no record of any discrepancies so monitoring, review, control and action cannot be taken where needed. Management also, do not have this as a mechanism to constantly review and identify any improvements to the effectiveness of the service and ensuring that the Council receives the income that is due; **See Recommendation/Agreed Action 15 below.**

- An error was detected relating to the London Road Hostel Phone Income (£3.00 and £2.30) whereby VAT was accounted for as 17.5% instead of 15% within the ledger; and
- It was difficult to trace some of the income received to the ledger and in a number of instances there were differences identified. **See Recommendation/Agreed Action 16 below.**

28) A sample of 10 official receipts covering income received by London Road Hostel was selected. The details of each receipt was recorded and traced to the 'rent book', 'banking book', 'treasury book' and to the main accounting system. Testing revealed the same findings that were identified at John Street Hostel with the exception of the money being taken to the Civic cash desk on a more frequent and prompt basis.

29) A sample of 5 key deposit receipts was selected from the receipts book held at the London Road Hostel (for John Street Hostel the key receipts are issued in the main stream income collection established and tested above). The sample was then traced, checked and agreed to the key log book.

30) A review was undertaken of the income and expenditure relating to the following cost centre codes:

- Cost Centre 25600 – Supporting Vulnerable People;
- Cost Centre 25500 – Hostels;
- Cost Centre 25510 – 69 London Road Hostel (Stafffield House);
- Cost Centre 25520 – Shaddongate Hostel; and
- Cost Centre 25530 – Hostels – Homeshares.

31) It is the responsibility of the Service and in particular the assigned 'budget holder' to ensure that transactions are correctly classified, accurate, timely and complete. The 'budget holder' also has the responsibility for the monitoring, review and the taking of appropriate action to ensure that there are no significant under/overspend on each budget classification and to utilise the Council virement process that has been established. It was apparent from the review that there are numerous transactions that have been recoded. This suggests that initial classification of transactions have been incorrectly undertaken by the service. It further suggests that there is an over-reliance placed upon the service accountant by the responsible 'budget holder' for the financial transactions to be correctly classified.

32) **Hostels Cost Centre 25500**

- Cost Centre Code 2502 Mileage Expenses

Transaction interfaced from ICON (cash receipting system). There is no further narrative, however if it does relate to a mileage claim it

should have be processed through the Council's payroll system.

33)69 London Road Hostel (Staffield House) Cost Centre 25510

- Cost Centre Code 1612 Waste Collection and Removal

This included the destroying of confidential material £24. However the destroying of confidential material has also been coded to Cost Centre Code 3016 Refuse, Sacks and Bins for, in total, £292. There is a lack of consistency in the coding of these transactions.

34)Shaddongate Hostel – Cost Centre 25520

- Cost Centre Code 4010 Equipment Maintenance Contract

Northern Security Limited – services of security officer. Most of these transactions have been recoded to Cost Centre Code 4021 Third Party Security Fees although there remain transactions that still need to be recoded for consistency suggesting transactions are still being posted to an incorrect classification code by the service.

35)Supporting Vulnerable People – Cost Centre 25600

- Cost Centre Code 3430 General Expenses.

This revealed that the costs of obtaining medical reports to support applications for housing had been coded to this category. Expenditure of this nature had been recoded to Cost Centre Code 3461 Medical Certificates etc for clients, but there was still expenditure remaining which needs to be recoded for consistency. Again this suggests that the service is continuing to incorrectly code transactions.

Also posted to this classification was 'confidential material to be destroyed'. Under the other Cost Centre Codes this has been treated (i.e. coded) separately and not been included within General Expenses. Under the Supporting People Cost Centre there has been no separate classification code set up.

- Cost Centre Code 8472 HB Contrib To Rent.

Transactions posted are HB payments and also overpayment corrections. The overpayments have been coded to Cost Centre Code 3490 Refunds. For consistency the overpayments contained within this classification need to be recoded to the Refunds code. This was brought to the attention of the service accountant.

See Recommendation/Agreed Action 18 & 19 below.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
12	See summary of findings note 27. Official books and records are not accurate and complete. Increased risk of the Council not being able to evidence that all income due has been received and properly accounted for.	Head of Planning & Housing	Official receipts are fully completed and greater care should be exercised in the recording of these receipts in other 'books' i.e. records of accommodation and banking.	C	In place – November 2009
13	See summary of findings note 27. Increased risk of loss and misappropriation.	Head of Planning & Housing	Cash income at John Street Hostel should be taken to the Cashiers on a more regular basis. Service Comment: Now undertaken daily	B	In place – November 2009
14	See summary of findings note 27. Receipts do not reconcile to the official record books and the ledger. Income not cashed is not easily identified and followed up.	Head of Planning & Housing	Cashier receipts should be promptly filed and be filed in receipt number order.	B	In place – November 2009
15	See summary of findings note 27. There is insufficient monitoring and review to ensure that checks and balances are operating as intended and that there is an adequate and effective system of control in operation.	Head of Planning & Housing	Management (or an 'independent' officer i.e. a person not involved within the banking and recording of income processes) should monitor and review the receipt book, cash received and recorded and the main accounting system ledger codes to ensure completeness and accuracy of income due to the Council. Any issues identified (for example, say a gap in the filing of cashier receipts or money not taken to the cashiers promptly) should be followed up and appropriate action taken for resolution. Service Comment: Principal Housing Officer to review monthly	B	In place – November 2009

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
16	See summary of findings note 27. Differences that do arise between income recorded as having been received and the actual income cashed and posted to the ledger are not recorded and monitored in case of any significant financial irregularity.	Head of Planning & Housing	A record of under/overs should be maintained (i.e. any differences between cash receipt recordings and that receipted by the Cashiers), regularly reviewed and appropriate action taken by management when required.	B	In place – November 2009
17	See summary of findings note 26. There is a breach of the Council's Financial Procedure Rules and there is no control regarding the transfer of responsibility of cash.	Head of Planning & Housing	A procedure should be implemented and actioned for the transfer of responsibility of cash between officers on change over of duty in accordance with the Council's Financial Rules.	B	In place – November 2009
18	See summary of findings note 35. The ledgers are not accurate and complete. Poor management information increases the risk of poor management decisions being made.	Head of Planning & Housing	A review of the Codes in each of the Cost Centres should be undertaken to ensure: <ul style="list-style-type: none"> - Consistency of the code descriptions of the five Cost Centres; - Transactions have been correctly posted to codes; - Identified amendments are carried out. 	B	November 2009 – then monthly checks
19	See summary of findings note 35. Training may be required to enable the Service to take on the responsibility expected.	Head of Planning & Housing	Management should consider whether there is a need for training with regards to recommendation 18 and if a need is identified then this should be discussed with the service accountant to see if any could be scheduled and undertaken.	C	Not necessary – Principal Housing Officer will carry out reviews and checks.

Final Report

16 December 2009

Audit Contact	Diane Rippon	Extn No.	7528
Document Ref:	K:\2006-07 onwards\Community Services\COM285 - Highways (Claimed Rights)\2009.10 Audit\audit reports\Highways Maintenance Draft Report.doc		

Directorate / Service Area	Recipients of Report	Action Required
Community Services	<p>Head of Environmental Services (For Action)</p> <p>Strategic Director (Deputy Chief Exec)</p> <p>Director of Corporate Services</p> <p>Highways Operations Manager</p> <p>Highways Services Manager</p> <p>Project Manager</p> <p>Principal Finance/Systems Officer</p> <p>Finance Assistant Systems Development (For Information)</p>	<p>There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Community Services, which is attached as Appendix A.</p>

1. Reason for the Audit

- 1.1. In accordance with the 2009/10 audit plan, where highways maintenance was assessed as a medium to high risk audit area, a review regarding the administration of the highways maintenance service has been performed.

2. Background Information / Summary of the Audit Area.

- 2.1. A discussion was held with the Head of Environmental Services and the Highways Operations Manager. At the meeting it was revealed that there had been a recent audit undertaken by Cumbria County Council regarding Highways Claimed Rights. This in itself would not preclude Carlisle Internal Audit Services reviewing this area from 'our perspective and to provide assurance' however it was felt that there were other (potentially) higher risks to focus upon during the audit time allocated.
- 2.2. An internal audit review has been undertaken of the administration of Highways by Internal Audit Services at Carlisle in 2005/06 which covered both highways claimed rights and 'other works'. The report at this time did not include a statement of assurance, however, based upon the recommendations contained within that report (3 at grade B, 4 at grade C and 1 at grade D) 'reasonable assurance' would have applied under the current assurance classification detailed below.
- 2.3. The main risk areas raised by the Head of Environmental Services were capital and revenue works undertaken by the Council (outside of Claimed Rights, i.e. 'other works') and the sub-contractor/employee classification for the CIS returns. This audit review has concentrated upon the latter with only 5 days initially having been allocated to this review.

3. Associated Risks of Providing this Service/Function

- 3.1. Examination of the Risk Registers noted the following risks:

Risk Description and Control Strategy	Type of Risk <i>(strategic / operational)</i>	Risk Score <i>H/M/L</i>
<u>Risk Description</u> <i>Loss of significant numbers of staff due to illness or alternative employment.</i> <u>Control Strategy</u> <i>Systems in place to minimise absence due to sickness, and to promote the City Council as a good employer.</i>	Operational	High
<u>Risk Description.</u> <i>Major incident (flood, fire, accident) resulting in loss of essential equipment, computers etc.</i> <u>Control Strategy</u> <i>Business Continuity Plan in place to cover this situation.</i>	Operational	High
<u>Risk Description</u> <i>Damage to property, third party injury or death due to Highways Services activities, and subsequent claims arising.</i> <u>Control Strategy</u>	Operational	Low

<p><i>Risk assessments and appropriate control measures are in place for all works. Comprehensive safety surveys are undertaken to provide evidence to refute any claims made.</i></p>		
<p><u>Risk Description</u> <i>Loss of key personnel, succession planning.</i></p> <p><u>Control Strategy</u> <i>Key knowledge is spread between staff as much as possible so that a stand-in is available. Procedures manuals are maintained to advise stand-ins.</i></p>	Operational	Medium
<p><u>Risk Description</u> <i>Lone working</i></p> <p><u>Control Strategy</u> <i>Lone working policy and procedures in place for call-outs.</i></p>	Operational	Medium

4. Scope of the Audit

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. The key areas reviewed are stated in the table below.

	Areas Examined
1.	The allocated time for the audit was initially 5 days but was subsequently extended to 7 days. Even so the audit was restricted due to time constraints to changes in legislation, policies and procedures which may significantly impact upon the service/Council. More specifically the classification of contractors and casual employees to ensure that the risks of receiving financial penalties for submitting incorrect information to HMRC are appropriately managed. The HMRC has introduced a new penalty system which came into effect 1 April 2009.

5. Overall Conclusion of the Audit Review

The audit review revealed reasonable controls are in operation; however, areas were identified where controls could be enhanced further, thus providing the opportunity to increase the robustness of the system controls further. These areas are shown in appendix A and have been brought to the attention of the Head of Environmental Services.

The main findings of this review include: concerns over the categorisation of sub-contractor and employee. This should be included within the operational risk register and clear criteria should be introduced for the classifications i.e. what constitutes a material purchase, a sub-contractor and employee. Management should then ensure that relevant staff are aware of the criteria through what ever means to achieve the correct classification split (e.g. on the job training, management monitoring and review). Management should also undertake regular reviews to ensure that the classifications have been correctly coded.

The main risks posed as a result of not addressing these main findings include mis-statement within the Council's Financial Statements; bad decision making where reliance is placed upon inaccurate budgets and also the imposition of HMRC penalties through incorrect returns and the associate tax payments.

6. Grading of Audit Recommendations

- 6.1. The audit process seeks to reduce risk to an acceptable level based on the efficient, economic and effective application of financial controls. Changes to controls suggested in audit recommendations are intended to achieve these benefits. This process reduces but does not, necessarily, wholly eliminate risk.
- 6.2. Each recommendation/agreed audit action, in Appendix A, 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	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).

- 6.3. **There are two recommendations arising from this review, both at grade B.**

7. Statement of Assurance

- 7.1. Based on the audit approach, issues and the grading of the recommendations arising from this review, it is considered that a **reasonable** level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
4. 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.

Community Services

APPENDIX A

1. Changes in legislation, policies & procedures

Method of Review:

Discussion with management to establish the areas of concern with regards to recent changes in legislation, policies and procedures and undertaking testing to evaluate how these have been addressed operationally.

Summary of Findings:

1) For errors related to returns and payments covering:

- Construction Industry Scheme;
- Income Tax;
- NIC;
- PAYE;
- VAT; and
- Others as stated on the HMRC website.

A new penalty system is effective for returns covering periods that start from 1 April 2008 and filed after 1 April 2009.

2) This new system indicates that any penalty may be reduced if 'reasonable care' has been taken and if HMRC is informed about any problems in good time, in which case penalties may be reduced and suspended. Information is available on the HMRC website along with contact details to raise any queries.

In summary the calculation of penalties that could be applied include:

- If the error is careless, the penalty will be between 0 and 30% of the extra tax due;
- If the error is deliberate, the penalty will be between 20 & 70% of the extra tax due; and
- If the error is deliberate and concealed, the penalty will be between 30 and 70% of the extra tax due.

3) On the Council's intranet site, e-library – financial and audit, the following information was found (as a reference point for staff):

- HMRC website documents (and contained therein reference to HMRC) including "Are your workers employed or self-employed?", "Advice for contractors" and "Construction Industry Scheme – Guide for contractors and subcontractors, only for the scheme starting on 6 April 2007"; and
- "Engaging a CIS Subcontractor" which refers to CIS verified creditors, which is also posted as a spreadsheet.

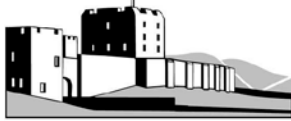
4) Discussion with the Principal Finance/Systems Officer revealed concerns with regard to ensuring that the system in operation meets the

requirements of HMRC (regarding sub-contractors and employee split) so that we do not fall foul and receive any penalties. It was thought that by not reviewing the system, we leave ourselves open to incorrect classifications and thereby the potential of future penalties.

- 5) Attention was drawn to the new HMRC penalties approach when the Council's tax consultants (Chiltons now known as BDO) sent an e-mail to the Principal Finance/Systems Officer. Since receiving the e-mail the Principal Finance/Systems Officer discussed the changes with the Director of Corporate Services and the action taken was to contact BDO via e-mail for a quote for consultancy services to review the current system in place for compliance. It was felt that this would be better than undertaking an internal review in case anything was missed. During this time the Principal Finance/Systems Officer was heavily involved with the final accounts closure process. A quote was received back for £2700.00+VAT for half a day and, in addition to this amount, travelling and accommodation costs. The Head of Environmental Services was unwilling to make full payment against his budget as it was seen to be a 'corporate issue'. The situation remained unchanged with no actions taken. If management are as concerned as has been expressed during this audit then there should be mention of this as a risk in either the operational risk register/s or the corporate risk register (entry of this risk could not be seen in either risk register) which should also include insertion of actions to take to reduce the risk to an acceptable level. **See Recommendation/Agreed Action 1 below.**
- 6) Prints were obtained for the cost centre code 12340 (Highways Contract) followed by the detailed codes 5985 (DSO Material Purchases) and 5986 (DSO Subcontractor Payments) from the main accounting system. These covered the financial year 2008/09 and financial year 2009/10 period 1-3. These were reviewed and the following was revealed:
 - During the 2008/09 financial year there were 284 transactions re-coded by the Accountancy Section. Of these, 79, transactions related to Cemex UK Materials Ltd. There have been no re-coded transactions undertaken, at the time of the review, to date (per the print) for 2009/10, although a review of the 2009/10 transactions revealed that there are transactions that are likely to need re-coding; and
 - It is clear that there is no consistency in the initial coding of transactions and therefore there has been inaccurate classification of transactions that have been posted to the DSO Material Purchases and DSO Subcontractor Payment codes. **See Recommendation/Agreed Action 2 below.**
- 7) Discussion with the Head of Environmental Services, Highways Services Manager and the Highways Operations Manager was held and led to a walkthrough test of one subcontractor (Colas). No areas of concern were highlighted from the walkthrough and the documentary evidence provided.
- 8) A copy of a contractor's monthly return form, for the month ending 05.08.09, was obtained and discussed with the Finance Assistant (i.e. the person in post at the time of this review, who was covering the maternity leave of the permanent post holder). The detail discussed covered how the form was compiled, i.e. how and where the information was sourced and any checks that are performed to ascertain completeness and accuracy before being returned to HMRC. A walkthrough test was performed for the month ending 05.08.09, there were no areas of concern that were identified.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
1	See summary of findings note 3. The expression of concern made during this audit review over the classification of sub-contractor employee would suggest that there is a risk noted in the appropriate operational risk registers. There is no such mention and in addition without inclusion there is no formal evidence to suggest that this area is sufficiently recorded, monitored and reviewed effectively to reduce any attached risks.	Head of Environmental Services	The concerns over the categorisation of sub-contractor and employee should be included within the operational risk register.	B	Mid January 2010
2	See summary of findings note 5. The current position relies upon the Accountancy Section recoding transactions that have been coded incorrectly. A greater degree of accuracy and responsibility should be undertaken and displayed by the service to ensure that transactions are recorded within the main accountancy system in accordance to what they are. The main risks associated with incorrect classification of these transactions are to result in a material mis-statement of a class of transactions within the financial statements of the Council's financial statements at the year end. Prior to the year end this could also affect the accuracy of the budgets, their monitoring and decisions of management could be based upon inconsistent and inaccurate financial information.	Head of Environmental Services	<p>Management should introduce clear criteria covering the classification of what constitutes a material purchase, a sub-contractor and employee.</p> <p>Following this staff involved in the coding and classification of these transactions should be trained to be able to apply the criteria so that there is a reduction in the re-coding of transactions.</p> <p>Management should regularly review and monitor to ensure transactions are correctly coded.</p>	B	Mid January 2010

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Resources Directorate (Audit Services)

Audit of Fixed Assets/Capital Expenditure
 (Material Review)

Final Report

31st December 2009

Audit Contact	Michael Thompson	Extn No.	7284
Document Ref:	K:\ 2006-07 onwards \ Material Systems \ Fixed Assets MAT055\2008-09\audit reports \ Fixed Assets Audit 2008-09 – Final.doc		

Directorate / Service Area	Recipient(s) of Report	Action Required
Resources	Assistant Director Head of Financial Services. Chief Accountant Development and Support Manager Group Accountant Property Services Manager ICT Shared Services Manager (designate)	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Corporate Services, which is attached as Appendix A.
Community Services	Interim Head of Environmental Services	There are matters arising / recommendations arising from this audit review which require your attention. Please refer to the Action Plan for Community Services, which is attached as Appendix B

Please note: The Chief Executive, Deputy Chief Executive and relevant Directors receive a copy of the full final report (management summary and appendices showing the matters arising, recommendations and agreed actions). The Audit Committee will also be presented with a full copy of this final report at the meeting to be held on 15th January 2010.

1. Reason for the Audit

The audit of Fixed Assets forms part of the programme of annual material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the main financial 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 annual statement of accounts.

2. Background Information / Summary of the Audit Area

The scope of the 2008/09 audit was substantially centred on Plant, Transport and Equipment in terms of physical inspection of assets, reviewing procurement, disposal and asset recording arrangements but also incorporated general expenditure control checks on Capital Expenditure focusing upon authorisation, certification, accuracy of coding and evidencing that appropriate methods of procurement were utilised.

3. Associated Risks of Providing this Service/Function

Examination of the Risk Registers noted the following risks:

Risk Description and Control Strategy	Type of Risk (strategic / operational)	Risk Score H/M/L
<i>Failure to retain key staff</i>	<i>Both</i>	<i>M</i>
<i>Failure to implement a comprehensive record system</i>	<i>Both</i>	<i>H</i>
<i>Control and record keeping over the movement of assets is inadequate.</i>	<i>Operational</i>	<i>M</i>
<i>Safeguarding of assets within departments is not adequate</i>	<i>Operational</i>	<i>M</i>
<i>Record keeping over the disposal of fixed assets may be inadequate</i>	<i>Operational</i>	<i>M</i>
<i>Acquired assets are not recorded at all or not recorded accurately in the financial system</i>	<i>Operational</i>	<i>M</i>

4. Scope of the Audit

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 summary of the findings are outlined below.

	Area Examined
1.	Follow up of previous review.
2.	Plant and Transport Asset Register.
3.	Plant and Transport Acquisitions & Disposals
4.	IT Equipment Inventory
5.	Capital Expenditure
6.	Capital Accounting

5. Overall Conclusion of the Audit Review

A number of opportunities to further enhance controls have been identified, these are shown in the appendices A - B and have been brought to the attention of the relevant Heads of Service.

6. Grading of Audit Recommendations

Each recommendation/agreed audit action in the appendices 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	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).

There are 6 recommendations arising from this review, 4 at grade B and 2 at grade C.

7. Statement of Assurance

Based on the audit approach, issues and the grading of the recommendations arising from this review it is considered that a substantial level of assurance can be given in relation to the systems of control (see definition below).

Level	Evaluation
1. Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
2. Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
3. Restricted	Significant weaknesses have been identified in the system of internal control, which put the system objectives at risk.
4. 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.

1. Follow Up of Previous Review

Method of Review:

A meeting was held with the Chief Accountant to discuss the progress made on the schedule of agreed actions emanating from the previous review and a subsequent position statement issued by the Head of Financial Services.

Summary of Findings:

The vast majority of the recommendations and actions agreed in respect of the 2007/08 audit had been implemented with the exception of developing the Authority's Land and Property database via the MASS system due to resource problems emanating from the lack of availability of suitably qualified staff. Requirements for the implementation of the full property database will now be progressed as part of the Chief Executive's Transformational Review. In the meantime, the Council has purchased the Real Asset System which is currently being implemented. This system will allow the Authority to record fixed asset information for capital accounting purposes in such a manner as to satisfy immediate accounting requirements.

2. PLANT TRANSPORT & EQUIPMENT REGISTER

Method of Review:

Discussions with key staff in the Finance Section were undertaken in conjunction with test checking of the overall accuracy of the current Register against Balance Sheet records. Further checks were made comparing assets physically inspected at Bousteads Grassing Depot with the Asset Register within Finance.

Summary of Findings:

The Plant, Transport and Equipment Section of the Finance Asset Register held in March 2009 correlated with the brought forward Balance Sheet entry for 31/3/2008. New assets purchased during the current financial year had been incorporated as part of the Accounts closure process as were any disposals.

Forty items of plant and transport were identified at Bousteads Grassing in December 2008 and checked against the Community Services Register in May 2009. 38 of these items were traced to the Register with the remaining 2 items having been disposed of between December 2008 and March 2009. Identified 4 of the 40 assets that were not recorded on the Finance Asset Register, one item which had been duplicated on the Finance register and another item that had been sold without the Register being updated as the sale of the asset had not been communicated to the Finance team.

Identified 10 Plant and Transport capital purchases made during 2008/09 and traced all items through to the Community Services Register. All of the items were also traced to the Finance Register but there was a need to make 2 minor locational and transposition amendments

Whilst the two sets of asset records are held for different purposes and will vary depending on various issues including ownership and depreciation levels, it would be beneficial to carry out periodic reconciliations between both registers

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
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A.1	Finance Asset Registers are incomplete	Chief Accountant	Records held by the Finance and Transport Sections need to be periodically reconciled. The Chief Accountant has agreed that the two registers will be reconciled on a half yearly basis. The next reconciliation will take place as part of the year end accounts closure process.	C	May 2010
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3. PLANT & TRANSPORT ACQUISITIONS AND DISPOSALS

Method of Review:

From the Capital Expenditure ledgers for 2008/09, 28 Plant and Transport purchases with a value of £442,800 were selected for the purpose of;

- undertaking ownership checks (all 28 assets)***
- ensuring purchases were made in accordance with laid down procurement requirements (all 28 items)***
- that costs were appropriately allocated (all 28 items)***

For 10 specific items of Plant and Transport purchased, full checks were undertaken on the disposal arrangements for the assets being replaced.

The 2008/09 tendering arrangements for Horticultural Equipment were reviewed.

Summary of Findings:

All items were physically inspected at various locations including Bousteads Grassing, Bitts Park and Bush Brow Garages and V5 registration documents were held for each asset.

All items were purchased through the Authority's Associate membership of North Eastern Purchasing Organisation (NEPO) with quotations sought in advance, though other tendering processes in the case of 13 second hand refuse wagons via specific Council approval.

In respect of the disposal arrangements for assets being replaced, 3 vehicles were actually retained and the remainder were returned to leasing companies, sold at auction or as scrap or traded in. Relevant documentation was located in all instances.

Following identification of the required replacement programme of horticultural equipment to be purchased in 2008/09, the Transport Manager wrote to the Head of Legal Services on 6/1/09 requesting that a tender notice be placed in the Cumberland News. This advertisement duly appeared in the Cumberland News dated 16/1/09. Tender documentation was sent out to 6 regular suppliers for 8 items of equipment. All submissions were sent back in the prescribed tender envelopes within the allotted time and opened by the Mayor in accordance with the Council's laid down procedure. All suppliers' documents were scrutinised and tender sums were checked to the evaluation model. All suppliers were selected on the basis of the lowest price meeting the laid down specification. Subsequent orders also checked. The whole process was conducted in line with laid down procedure.#

In overall terms the audit checks undertaken on the acquisition and disposal of Plant and Transport assets gave a high level of assurance.

4. IT EQUIPMENT INVENTORY CHECKS

Method of Review

From IT held inventory records, 20 PC's and 15 Printers based at Bousteads Grassing Depot were randomly selected for inspection

A suppliers invoice for 100 new PC' checked in terms of purchases being registered against IT inventory records.

Summary of Findings

All assets physically located at Bousteads Grassing in accordance with ICT Inventory Records.

In respect of the 100 PC's purchased, one PC could not be located on IT's inventory or Physically located

The Asset Register held in IT is generally well maintained helping to safeguard assets but despite extensive checks, one PC purchased in 2008/09 could not be located. The missing PC may turn up during the next annual IT asset check but if not then further investigations will need to be undertaken.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Actions</u>	<u>Grade</u>	<u>Agreed Timescale for Completion</u>
A2	One PC out of a batch of 100 has not been placed on the IT Asset Register and cannot currently be physically located.	ICT Shared Service Manager (designate)	Asset receipt, issuing and inventory documentation procedures should be reviewed. It has been agreed new procedures will be developed, documented and implemented prior to the purchase of any new assets in the next financial year.	B	April 2010

5. CAPITAL EXPENDITURE GENERAL

Method of Review:

Reviewed 75 external invoices allocated to Authority wide Capital projects checking for proper authorisation and certification together with accuracy of coding and evidence of appropriate procurement within defined , use of contract register where necessary etc.

Summary of Findings:

On the whole purchase orders were initiated and payments were fully processed in accordance with laid down procedure. Some control and system deficiencies were located in respect of Community Services and these are identified in Appendix B.

6. Capital Accounting

Method of Review:

Utilising the CIPFA System Based Auditing Control Matrix for the Main Accounting System, evaluate that appropriate and relevant capital accounting policies and practices were adopted in the production of the 2008/09 accounts. This exercise was carried out a high level given the detailed D.A.work that is always undertaken on this specific area of the external audit process.

Some test checking was undertaken to ensure that independent valuations issued in respect 31/3/2009 Land and Property had been incorporated accurately into Asset Registers..

Summary of Findings:

In January each year a report is issued to The Audit Committee giving relevant information on the final accounts process including any proposed changes arising from the introduction of revised Statements of Recommended Practice. On 14th January 2009, report Corp 73/08 was presented to the Audit Committee and the relevant office manual was scheduled to be updated with the revised procedures relating to accounting for capital assets but has been postponed pending the implementation of new software.

Throughout the Financial year the capital accounts were regularly reviewed and a quarterly report issued to the Executive. In 2008/09 CORP 40/08 presented the figures for the period April to June 2008 on 28/7/08, CORP 58/08 went to the Executive on 17/11/08 with the figures for the 6 months to September 2008, CORP 83/08 was presented on 16/2/09 with the figures for April to December 2008 and the provisional out-turn was presented to the Executive on 1/6/09 and full Council on 29/6/09. This process was supplemented by the provision of monthly reports to SMT and SPG.

As part of the year end closure process there was a full review of material expenditure to ensure all transactions were correctly classified as capital

In respect of capital accounting arrangements for 2008/09, the City Council's effectively followed the CIPFA SORP requirements and assets with a determinable finite life(except for investment properties) were depreciated on a straight line basis as follows:

- Operational Buildings 10/80 years
- Infrastructure Assets 40/80 years
- Non Op Surplus Assets 3 years
- Operational P&T 3-25 years
- Intangible Assets 3-20 years

Depreciation/Capital charges are estimated at the beginning of each financial year and subsequently revised in September each year following the closure of the accounts and then final external audit verification.

In terms of good practice policies in respect of capitalising all expenditure above a reasonable de-minimus level, the levels set were £5k for expenditure on individual items of Plant and Transport and £20k for expenditure on land, buildings and other structures

The Council also has established policies regarding asset valuations. Assets are re-valued where there have been material changes but as a minimum every 5 years on a rolling basis. However, in 2008/09 a full revaluation of property assets was conducted to help meet with the future requirements of the International Financial Reporting Standards (IFRS). This exercise was conducted through the Property Services Section of the Council who commissioned Hyde Harrington to undertake the work. Hyde Harrington are a well respected local firm which is suitably qualified to undertake this process.

It should be noted that the valuation report produced by Hyde Harrington was examined and 20 accompanying valuation certificates were checked through to the land valuation schedule through to the Authority's Land and Property Asset Register. No problems were encountered.

Identified 10 plant/transport capital purchases in 2008 and traced all items to the Register held in Community Services. All of the items were also traced through to the Finance register but there was a need to make 2 minor locational and transposition amendments.

Community Services

APPENDIX B

1. CAPITAL EXPENDITURE GENERAL

Method of Review:

Reviewed 75 external invoices allocated to Authority wide Capital projects checking for proper authorisation and certification together with accuracy of coding and evidence of appropriate procurement within defined , use of contract register where necessary etc

Summary of Findings:

On the whole, purchase orders were initiated with appropriate suppliers and payments were fully processed in accordance with laid down procedure. There were however a number of issues emanating from certain transactions within the Waste Services Section in Community Services.

<u>Ref</u>	<u>Issue</u>	<u>Responsible Officer</u>	<u>Recommendation/Agreed Action</u>	<u>Grade</u>	<u>Suggested Timescale for Completion</u>
B1	Documentation was not retained in respect of tender dealings dealt with electronically	Acting Head of Env Serv's	All documentation relating to tenders/ quotations for the supply of goods /services must be retained for 6 years. Agreed by the Acting Head of Environmental Services	B	With immediate effect.
B2	Following submission of quotations, post tender negotiations were undertaken in isolation by an officer within Waste Services. Such practice whilst in the best interests of the Council could place the relevant officer in a potentially difficult position.	Acting Head of Env Serv's	In line with agreed practice, any post tender negotiations should be undertaken in liaison with the Procurement Section. Agreed by the Acting Head of Environmental Services.	B	With immediate effect
B3	Expenditure transacted under a capital code was subsequently recharged under a revenue code and some minor revenue expenditure was allocated to capital.	Acting Head of Env Serv's	Income and expenditure codes must be matched when dealing with the same goods and services and any queries on the appropriateness of capital allocations should be referred to the Group Accountant.	C	

B4	One specific company has been utilised by Waste Services for a number of years for the provision of containers. Whilst individual orders are not material, the ongoing annual expenditure does represent significant amounts of money without any market testing.	Acting Head of Env Serv's	Agreed by the Acting Head of Environmental Services For value for money assurance, all supplies involving ongoing significant expenditure should be subjected to market testing. Agreed by the Acting Head of Environmental Services who will initiate a market testing exercise in time for the new financial year	B	With immediate effect April 2010
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