

Report to: Audit Committee

Date of Meeting: 17 March 2016

Report Title: Chief Auditor's Summary Audit and Risk Report

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the key findings from the Council Tax, Treasury Management, Software Licence Controls and Creditors audits.

Recommendation(s)

1. That the Audit Committee accepts the report.

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary Report
Report to Audit Committee
Council Tax (undertaken by Mazars)

Executive Summary

This report details the internal audit of procedures and controls in place at Hastings Borough Council for the Council Tax function. The audit has been undertaken in accordance with the 2015/16 Internal Audit plan as approved by the Audit Committee on 9th March 2015.

Management should be aware that our internal audit work was performed in accordance with the Public Sector Internal Audit Standards, which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Our internal audit testing was performed on a judgemental sample basis and focussed on the key controls mitigating risks. Internal audit testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Background

The Council Tax function is administered by the Revenues and Benefits Service within the Corporate Resources and Governance Directorate. The Revenues and Benefits Service includes a small team of generic Local Taxation Officers who work on both Council Tax and Business Rates; they administer chargepayers' accounts and carry out recovery action in respect of arrears.

Council Tax rates for 2015/16 were approved by the Cabinet on 16th February 2015 and then approved by the full Council on 25th February 2015. The total annual charge for a Band D property for 2015/16 is £1,673.24, of which £240.33 relates to Hastings Borough Council. The total collectable debit as at 31st October 2015 was £42,766,947 (in respect of 43,019 properties). The collection rate at 31st October for the year to date was 70.60%, which was below the target of 72.30% but similar to the collection rate at the same stage in 2014/15 (70.96%). The final collection rate for 2014/15 (96.47%) exceeded the target of 96.00%.

Entitlement to single person discounts is reviewed annually by Northgate. Other discounts, exemptions and disablement reductions are reviewed annually by in-house staff. The status of empty properties is reviewed annually by Capacity Grid. Council tax arrears are recovered by various means, including payment arrangements, attachments of earnings and benefits and the placing of legal charges on properties. Arrears cases are also referred to an enforcement agent (Rossendales Ltd) for further recovery action.

Summary of Findings

Audit Opinion: Satisfactory Assurance

While there is a basically sound system of internal control, there are weaknesses which put some of the client's objectives at risk.

Key Findings

There are no recommendations arising as a result of our work in the following areas:

- Areas of staff responsibility and maintenance of an appropriate separation of duties
- Billing provisions;
- Payment options provided;
- Reconciliation of the debit to the Valuation List and any amendments notified by the District Valuer;
- Posting of collections, investigation of suspense items and monitoring of collection rates achieved;
- Processing of refunds;
- End of year reconciliatory processes;
- Individual liabilities and the granting of discounts in respect of Single Persons and second homes;
- Recovery and Enforcement actions, and;
- Management Information.

We have identified two specific areas where improvements in controls, or the operation of existing controls, could be made and these are summarised below. We have commented in detail on these within the body of the report and we would ask you to consider the recommendation made.

Council Tax Write-Offs

The current write-off policy for Council Tax debts does not specify the frequency of bulk write-offs. The policy refers to post holders who do not appear in the current organisational structure. It was established that no bulk write-offs have been processed during 2015/16. One recommendation has been made to address these issues.

Claims in Respect of Revenues Staff

It was established that there was no staff protocol for managing possible conflicts of interest in place. One recommendation has been made to address this issue.

Summary Report
Report to Audit Committee
Treasury Management (undertaken by Mazars)

Executive Summary

This report details the internal audit of procedures and controls in place at Hastings Borough Council for the Treasury Management function. The audit has been undertaken in accordance with the 2015/16 Internal Audit plan as approved by the Audit Committee on 9th March 2015.

Management should be aware that our internal audit work was performed in accordance with the Public Sector Internal Audit Standards, which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Our internal audit testing was performed on a judgemental sample basis and focussed on the key controls mitigating risks. Internal audit testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Background

The Treasury Management function is administered by the Accountancy Team within the Corporate Resources and Governance Directorate. The Treasury Management Practices (TMPs) set out roles and responsibilities and provide an overview of Treasury activities. TMP1 describes the risk management framework in place. There are three designated “dealers” for Treasury transactions (shortly to be increased to five) and four senior members of staff who have authority to approve Treasury transactions.

The Council’s cash position is reviewed daily and temporary investments and borrowings are arranged where necessary. Counterparties for Treasury transactions are selected in accordance with the Council’s Treasury Management Strategy and Investment Strategy, which are reviewed annually and approved by the Audit Committee, Cabinet and full Council. Treasury staff refer to weekly credit rating lists provided by the Council’s Treasury advisers (Capita Asset Services Ltd). The Council’s need for new long-term borrowings is reviewed regularly in conjunction with the Treasury advisers. All current long-term loans have been obtained from the Public Works Loans Board.

The Audit Committee and Cabinet receive mid-year and year-end reports on Treasury activities. The mid-year report for 2015/16 stated that the Council’s long-term loans amounted to £14.2 million (i.e. within the Council’s borrowing limit of £18.5 million). Temporary investments totalled £28.3 million, and the average rate of return on investments was 0.88% including the Local Authority Mortgage Scheme (LAMS) or 0.68% excluding LAMS.

Treasury transactions are recorded on Logotech software. An officer independent of the Treasury function reconciles balances on Logotech with the general ledger (Agresso) each month and also carries out monthly bank reconciliations.

Summary of Findings

Audit Opinion: Satisfactory Assurance

While there is a basically sound system of internal control, there are weaknesses which put some of the client's objectives at risk.

Key Findings

There are no recommendations arising as a result of our work in the following areas:

Loans Received;
Loan Repayments;
Interest Charges;
Authorisation of Loans and Investments;
Income from Investments;
Segregation of Duties;
Fidelity Insurance Cover;
Risk Assessments;
Treasury Management and Annual Investment Strategy;
Retention of Key Records and
Business Continuity.

We have identified one specific area where improvements in controls, or the operation of existing controls, could be made and these are summarised below. We have commented in detail on these within the body of the report and we would ask you to consider the recommendation made.

Policies and Procedures

It was established that although a set of Treasury Management Practices (TMPs) is in place, Treasury staff do not have access to detailed procedure notes. One recommendation has been made to address this issue.

Summary Report
Report to Audit Committee
Software Licence Controls

Background Information

The main software companies routinely carry out audits of the majority of their suppliers, usually through the services of a third party, the Business Software Alliance (BSA). Under-licensing detected usually results in penalties, fines or out of court settlements typically running into tens of thousands of pounds. Ensuring that an organisation is adequately licensed at all times can become a complex task. A solution is to purchase an effective Software Asset Management (SAM) system to not only avoid fines but to enable us to identify which of our licences are in use and which ones aren't, so that a decision can be made whether to re-deploy or retire them.

Hastings Borough Council has purchased Snow Licence Manager (Snow) which works across all software products and is an accredited MS (Micro Soft) Gold partner.

Audit Conclusion

Overall Audit Assessment: A – Good.

Controls are in place and work effectively. There are no significant audit concerns. There are no high recommendations made.

Key Findings

Hastings Borough Council properly manages all of its software licences completely and effectively by the Information Communications Technology Service through Snow Licence Manager.

Management Response

We agree with the report.

Summary Reports
Report to Audit Committee
Creditors

Background

Creditors section processed during 2014/15, 15,887 BACS transactions totalling £30.5m and 225 cheques worth £418,035. 98.6% of payments are made by BACS which is the most secure and efficient method of payment.

Audit Conclusion

Overall Audit Assessment: A – Good.

Controls are in place and work effectively. There are no significant audit concerns. There are no high recommendations made.

Key Findings

The Creditors system is administered effectively and efficiently.

Whilst the basic control framework has been in place for a number of years, a few medium recommendations have been made which should further enhance control.

The Creditors section is largely paperless. The working practices are constantly being re-assessed and updated to ensure that there is the most efficient and productive use of the systems available.

Management Response

We agree the findings.

Wards Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

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Officer to Contact

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