

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

4 MARCH 2019

Title:

PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

[Wards Affected: ALL]

Summary and purpose:

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

How this report relates to the Council's Corporate Priorities:

Internal Audit work contributes to the safeguarding of assets against loss and waste and for identifying other value or money issues.

Financial Implications:

Internal audit work helps management in achieving good value for money and, individual recommendations may have value for money implications.

Legal Implications:

There are no direct legal implications, although good governance is strengthened by attention to the matters raised in audit recommendations.

Introduction

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.
2. Annexe 1 provides the current position on recommendations due for completion at the end of the month after the date of the Audit Committee.
3. Annexe 2 details the Head of Service request for change of implementation due dates.

Conclusion

4. Recommendations relate to the control environment and hence the overall governance and risk management of the Council, and it is important that agreed actions are completed within timeframes agreed with the relevant Head of Service.

Recommendation

It is recommended that the Committee:

1. considers the information contained in Annexe 1 and, following discussion at the Audit Committee meeting, identifies any action it wishes to be taken.
2. considers the Head of Service(s) justification for a change in the due date for the recommendations listed in Annexe 2 and agree an appropriate implementation date(s).

Background Papers

There are no background papers (as defined by Section 100D (5) of the Local Government Act 1972) relating to this report.

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Audit Recommendations overdue or due within the end of the month after the AC

Generated on: 21 February 2019

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Head of Service Smith, Andrew

Action Code & Description	IA18/25.001 Housing Allocation Scheme	<p>We have seen the original approval for the Housing Allocations Scheme and noted that it was approved by the full Council in 2013. We have seen that for the most recent amendment to the Housing Allocation Scheme (January 2018), there is evidence that the amendment was discussed and agreed by the Head of Service and the Housing Portfolio Holder with signatures present for both.</p> <p>The core scheme has however been in place since 2013 and since this time there have been a number of amendments and a large scale change to how the Register is managed. Whilst each iteration may be small, over time a number of iterations could significantly alter the content of the scheme which may be significantly different from the scheme last presented to the full Council in 2013. This is especially important considering the introduction of the Homelessness Reduction Act. There is a risk that ward Councillors may not be fully up to date with the scheme and therefore provide residents with out of date information.</p>	Exit Meeting Date	16-Mar-2018	
			Due Date	31-Mar-2019	
Audit Report Code and Description		IA18/25 Management of the housing register			
Agreed Action		The Housing Allocations Scheme will be revisited to ensure that it is up to date with the Council's current approach. The updated scheme will then subsequently be presented to the relevant body for consideration and approval on an annual basis.			
Status	 In Progress	Progress	0%	Head of Service	Andrew Smith
All Notes	Although the review of the Housing Allocations Scheme was scheduled to be completed by March 2019, the Housing O&S Committee has undertaken a review of stigma in social housing : 'Pride or Prejudice'. The resulting report does recommend consideration of the Housing Register and how it should capture all who are eligible for social housing in			20-Feb-2019	

	Waverley. This is likely to inform the review of the Housing Allocations Scheme and therefore we request and extension of time to bring together all the smaller amendments that have been made to the Scheme, and to incorporate any changes as a result of the O&S report. We would propose to take the revised Allocations Scheme to the Housing O&S Committee and then through to Council. The advantages of this are twofold: we will have completed a more comprehensive review and also we will use this opportunity to educate new councillors following the election in May on how social housing in Waverley is managed. We would then expect to have completed by 31 December 2019.	
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Action Code & Description	IA18/25.002 Documents provided to support application	For the sample of ten Home choice applicants, we noted the following: - In one instance, there was no evidence available to confirm savings but a note was left on another document saying this had been seen. As savings reported by the applicant were close to the boundary for admission to the Housing Register, we would expect to see this document to confirm the actual level of savings. For the sample of ten Housing Options applicants, we noted the following: - In one instance there was no proof of pregnancy provided as per the requirements of the Allocations scheme; and - In one instance the applicant had indicated that they had a higher level of savings than were permitted under the thresholds but no proof of savings was retained as per the requirements of the scheme. If the Housing Allocations Scheme is not up to date with the working practices of the Home choice and Housing Options teams, there is a risk that procedures will be unclear and documentation requirements of the scheme will not be adhered to, which may lead to poorer allocation of staffing resources if staff are asking for documents which are no longer required.	Exit Meeting Date	16-Mar-2018
			Due Date	31-Mar-2019

Audit Report Code and Description	IA18/25 Management of the housing register
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Agreed Action	As part of a wider review of the Housing Allocations scheme before submission to the relevant body for consideration, the Council will revisit section 26 of the scheme to ensure the identity requirements listed are in line with working practices moving forwards.
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Status		In Progress	Progress	0%	Head of Service	Andrew Smith
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All Notes	Section 26 of the Allocations Scheme will be revisited during the review. See comment in IA18/25.001 re request for extension to 31 December 2019 in Annexe 2.	20-Feb-2019
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Head of Service Taylor, Robin

Action Code & Description	IA19/08.001 Reporting	The Council's iTrent system allows for flexi-time to be run as part of a bespoke report. This report can include employees alongside the flexi-days currently processed within the iTrent system. However, no such reporting is undertaken. Without HR compiling a report and checking for evidence there is a risk that different departments and service lines operate different policies in regard to flexi-time. This risk is higher considering the issues identified elsewhere in this report.	Exit Meeting Date	20-Dec-2018
			Due Date	31-Mar-2019

Audit Report Code and Description		IA19/08 Flexitime				
Agreed Action		The HR department will undertake a periodic sample check of a set of flexi-time claims to ensure the new policies are being followed.				
Status		In Progress	Progress	0%	Head of Service	Robin Taylor
All Notes						

Action Code & Description	IA19/08.002 Policy	Discussions with 25 staff across the Council confirmed that they did request flexi-time through the iTrent system. Reviewing a sample of 25 flexi-time claims across 20 departments we noted 12 staff stated their managers often either "knew" they worked a lot or just did not ask them about to evidence the time they had accrued before authorising requests. We could not identify if any flexi requests were approved retrospectively due to limitations with the iTrent system related to capturing this information. However discussion with each of the 25 members of staff confirmed that in all instances staff are aware that flexi-leave cannot be taken without manager approval first. Despite being able to input requests retrospectively, each of the 25 staff members interviewed confirmed that they must input claims to redeem flexi time accrued ahead of the date arriving. Without managers taking responsibility for ensuring staff are claiming hours based on work actually completed, there is a risk that staff can claim flexi-time without actually working additional hours, this can lead to a decrease in the level of services delivered by the Council.	Exit Meeting Date	20-Dec-2018
			Due Date	31-Mar-2019

Audit Report Code and Description		IA19/08 Flexitime				
Agreed Action		Once the new policy has been drafted and disseminated, managers will be reminded of their responsibility in checking all claims submit to them for flexi-time to ensure these are supported by evidence.				
Status		In Progress	Progress	0%	Head of Service	Robin Taylor
All Notes						

Action Code & Description	IA19/08.003 Operate of the Policy	Through our discussions with 25 staff about their flexi leave, and review of underlying documentation we noted that in 17 instances staff did not know of the limit of carrying forward 2 days per month at maximum. Of these 17, we noted that five staff did not monitor their time, and for the remaining 12 staff they had cumulative hours in excess of the maximum allowance per month. We noted that these staff used their own variation or old versions of the official suggested spreadsheet mentioned within the policy.	Exit Meeting Date	20-Dec-2018
			Due Date	31-Mar-2019

Audit Report Code and Description		IA19/08 Flexitime				
Agreed Action		The flexi-time policy will be reviewed for how the Council wishes it to operate. and Either then the policy will be updated to reflect actual practice, or else all staff will be reminded that they are required to follow the approved policy. Following this the Policy will be highlighted to staff both existing within the Council, and all new staff starting through the induction process.				

Status		In Progress	Progress	0%	Head of Service	Robin Taylor
All Notes						

Action Code & Description	IA19/08.004 Time Tracking Spreadsheet	<p>Review of the suggested template confirmed that the template only allows for the maximum of two days of additional hours worked to be carried forward per month.</p> <p>As part of discussions with staff we noted two further issues.</p> <ul style="list-style-type: none"> . One person had booked flexi-leave in December already in iTrent, however this leave has not yet been accumulated, instead it was booked based on anticipated additional work. . One person from the Community Partnerships team noted that their managers are currently been told that flexi-time should not be accumulated by them, and that they must take an hour of lunch despite the Council's lunch break being 30 minutes. There is a risk that without a robust policy, that is used by both staff and managers, giving them information about how they must work if they are to use flexi-time, that different people, teams and departments all operate flexi-time in different manners, requiring different levels of evidence to be retained and this can lead to staff dissatisfaction and a loss of productivity if staff misuse the system. 	Exit Meeting Date	20-Dec-2018
			Due Date	31-Mar-2019

Audit Report Code and Description	IA19/08 Flexitime
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Agreed Action	The Council will mandate the need for using the approved time tracking spreadsheet, which itself will need to include sufficient detail for the approving manager to understand and agree the reasons for the overtime worked, to ensure all staff wanting to use their flexi-time benefits do so based on actual hours accumulated. Staff will be reminded that they can only carry forward the approved number of hours.
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Status		In Progress	Progress	0%	Head of Service	Robin Taylor
All Notes						


Action Code & Description	IA19/08.005 Flexi Leave Entitlements	<p>From our sample of 25 flexi-time claims, two were for part time workers. We noted that they both had access to the full amount of 13 days entitlement in iTrent, although this should have been pro rated in line with their working hours. There is a risk that part time staff are overclaiming on their flexi-time if their entitlements are not pro-rated accurately.</p>	Exit Meeting Date	20-Dec-2018
			Due Date	31-Mar-2019

Audit Report Code and Description	IA19/08 Flexitime
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Agreed Action	A full review of part time employees flexi-leave entitlements will be undertaken to ensure all staff have accurately been allocated the correct amount.
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Status		In Progress	Progress	0%	Head of Service	Robin Taylor
All Notes						

Head of Service Vickers, Peter

Action Code & Description	IA19/02.011 Anti Money Laundering Training	There are Anti Money Laundering forms in place and declarations in additional forms, as well as checks by the Fraud Investigation Officer.			Exit Meeting Date	02-Aug-2018
		The Fraud Investigation Officer has attended Induction sessions, where he introduces new staff to Fraud Awareness. However, without formal anti-money laundering training for current staff involved in high risk areas, there is a risk that they do not have sufficient understanding of anti-money laundering practices.			Due Date	31-Mar-2019
Audit Report Code and Description		IA19/02 Right to Buy				
Agreed Action		The Council will investigate how best to raise awareness of Anti-Money Laundering, e.g. training, particularly for key staff (Housing, etc.).				
Status		In Progress	Progress	0%	Head of Service	Hugh Wagstaff; Peter Vickers
All Notes	Revised Due Date of 31st March 2019, agreed by the November 2018 Audit Committee.					27-Nov-2018
	IA19/02.011 Anti Money Laundering Training: Vicki is picking this up and revising the overall policy against the detailed statutory update you provided, Vicki has agreed to draft a explanatory note of what is require by each are of the council potentially affected/at risk. This will be rolled out alongside the adoption of the revised ML policy. This policy will take a little while to complete so will be going to the Jan/Feb audit committee. The action will be completed by 31st March 2019					19-Oct-2018

Action Code & Description	IA19/10.001 Policy , procedures and process in place	The policy was last reviewed by the Head of Finance and presented to Audit Committee in November 2016.			Exit Meeting Date	11-Dec-2018
		In addition, review of the policy found that it had not been updated to reflect the issues raised and actions agreed in the internal audit report on risk management (August 2016). See findings 1.2 below. The Head of Finance explained that due to a change in postholder of Chief Executive, new corporate plan, corporate wide review of risk appetite and need for a new strategic risk register, 'business as usual' risk management activities have not occurred since May 2018, when a consultant was commissioned to help the Council determine its risk appetite and facilitate the development of a new strategic risk register aligned to the new corporate plan. Subsequently, further review and update of the risk management policy has been put on hold until the risk appetite has been agreed and the strategic risk register produced. The Committee asked that the work being undertaken on risk is completed before the policy is refreshed. It will then be re-written and will go through the approval process. The absence of an up-to-date risk management policy that reflects current practices, could lead to confusion amongst staff of the correct processes to follow, and ultimately lead to risks not being identified or managed appropriately, thereby increasing the Council's risk exposure.			Due Date	29-Mar-2019
		Review of the corporate risk register dated May 2018 found each risk has been assessed in terms of likelihood and impact.				

This can be shown by the given risk rating which signifies how severe the risk is. The register also provides the names of the specific risk owners, as well as current mitigating factors and further actions required. Risk themes and scenarios are used as opposed to direct links to corporate objectives.

Failure to link risks could lead to corporate objectives not being achieved.

Whilst the risk management policy dated November 2016 infers that the strategic risk register should be reviewed annually by Audit Committee and every 6 months by Head of Service Team (HOST). These frequencies do not match the agreed actions in the August 2016 internal audit report on risk management that the risk register will appear as a standing agenda item for the Audit Committee and that the risk register will be presented to HOST quarterly.

We were informed that the strategic risk register is reviewed in detail on an annual basis. The council usually use Zurich, their insurers, to facilitate the risk workshop.

The strategic risk register was last reviewed by the Audit Committee on 20 November 2017 and HOST on 25 April 2018 and updated in May 2018.

The change in Chief Executive and resulting new corporate plan has delayed the development of a new corporate risk register. Consequently, the existing strategic risk register dated May 2018 has not been subject to further review by HOST or Audit Committee for the subsequent five months. Failure to demonstrate oversight of risks could lead to the crystallisation of risks or expose the council and management to false accusations that they have not carried out their roles and responsibilities.

Review of Services Plans 2018-19 presented to the Overview and Scrutiny Committee on 22 January 2018 found they do not include operational risks. This is due to the ongoing work on the corporate risk appetite and corporate risk register.


The agenda paper and minutes from the meeting do not acknowledge the absence of risks.

Failure to identify, record and assess operational risks could lead to mitigation actions not being identified and expose the council to service delivery failure.

Review of the existing risk management policy dated November 2016 found that it made no reference to assurance.

Review of the corporate risk register dated May 2018 found that it does not include sources of assurance. The absence of an integrated risk and assurance framework could lead to the incorrect assessment of risk, or ineffective control mitigations being relied upon, thereby leading to the crystallisation of risks.

We note that one out the four actions have

		<p>been fully implemented. The remaining actions had not been implemented/ are not in operation due to the new corporate plan, leading to the need to develop a new corporate risk register.</p> <p>1. A full review of the risk register was last undertaken by the Audit Committee on 20 November 2017. Since then a new corporate plan was agreed in August 2018 and a new corporate risk register is being developed.</p> <p>2. HOST last reviewed the corporate risk register on 25 April 2018. No further reviews have taken place as a new corporate plan was being developed.</p> <p>3. Whilst risk management is scheduled in the forward programme of the Audit Committee. The risk register does not appear as a standing item and was last reviewed by the Audit Committee November 2017.</p> <p>Failure to include the risk register or an update on risk management activities as a standing agenda item for the Audit Committee could result in the Audit Committee not being able to/ demonstrate that members are discharging their roles and responsibilities in respect of risk. 4. The Risk and Insurance Officer is line managed by the Senior Accountant. Discussions with the Senior Accountant established that they were familiar with the process and could pick up key tasks in the absence of the Risk and Insurance Officer.</p>				
Audit Report Code and Description		IA19/10 Risk Management				
Agreed Action	<p>A risk management action plan will be developed and cover the following:</p> <p>a. The Executive Directors, HOST and Audit Committee will review and assess the risk that the current work on risk management exposes the Council to, whilst risk management processes are no longer formally in operation.</p> <p>b. The corporate risk register will appear as a standing agenda item for the Audit Committee. Where a risk register is not available, a paper providing an update on risk management activities will be presented. Such a paper will explain why a corporate risk register cannot be presented. (1.5)</p> <p>c. Head of Finance to agree the council's risk appetite with the Executive and the present the risk appetite to the Audit Committee. (Delegated from Council to audit committee.)</p> <p>d. Review of risk register format to link risks to corporate objectives (1.2)</p> <p>e. Corporate risk register to be finalised and approved. (1.2)</p> <p>f. Operational risks to be included in service plans. (1.3)</p> <p>g. Develop and integrate an assurance framework with risk management, such assurance framework will be reflected in the risk management policy (1.4)</p> <p>h. Review and update of the risk management policy to reflect (1.1):</p> <ul style="list-style-type: none"> - agreed actions arising from previous and current internal audit reports (1.5) - any changes to processes arising from the work with the external consultant - integrated assurance framework (1.4) 					
Status		In Progress	Progress	0%	Head of Service	Peter Vickers
All Notes	<p>Risk Management Policy and tool kit will be updated by HoF and reviewed by Management Board and approved by the March 2019 Audit Committee with an informal audit committee seminar in new year pre March.</p> <p>Strategic Risk Register underpinning the current corporate strategy adopted in June 2018 will be developed by Senior management (lead by the HoF) and reviewed by March 2019 Audit Committee with an informal audit committee seminar in new year pre March</p> <p>Current risk register was updated 31st October and reviewed by 9 November Audit Committee.</p> <p>Audit committee TOR are not specific on frequency – they define responsibility.</p>					18-Dec-2018

**Internal Audit Recommendations
presented to the Audit Committee
for status change of Due Date on Covalent**

Report Ref/ recommendation/s Ref	Title	Recommendation	Head of Service written justification/ Reason for change in implementation date	Responsible officer
IA18/25.001 and IA18/25.002	Housing Allocation Scheme Documents provided to support application	<p>The Housing Allocations Scheme will be revisited to ensure that it is up to date with the Council's current approach. The updated scheme will then subsequently be presented to the relevant body for consideration and approval on an annual basis.</p> <p>As part of a wider review of the Housing Allocations scheme before submission to the relevant body for consideration, the Council will revisit section 26 of the scheme to ensure the identity requirements listed are in line with working practices moving forwards.</p>	<p>Although the review of the Housing Allocations Scheme was scheduled to be completed by March 2019, the Housing O&S Committee has undertaken a review of stigma in social housing : 'Pride or Prejudice'. The resulting report does recommend consideration of the Housing Register and how it should capture all who are eligible for social housing in Waverley. This is likely to inform the review of the Housing Allocations Scheme and therefore we request and extension of time to bring together all the smaller amendments that have been made to the Scheme, and to incorporate any changes as a result of the O&S report. We would propose to take the revised Allocations Scheme to the Housing O&S Committee and then through to Council. The advantages of this are twofold: we will have completed a more comprehensive review and also we will use this opportunity to educate new councillors following the election in May on how social housing in Waverley is managed.</p> <p>Section 26 of the Allocations Scheme will be revisited during the review.</p> <p>We would then expect to have completed by 31 December 2019.</p>	Head of Strategic Housing and Delivery Andrew Smith