



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

**Audit, Crime & Disorder and Scrutiny
Committee Meeting**

8 February 2018

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.



CONTENTS

1 Introduction.....	2
2 Looking ahead.....	3
3 Other matters	4
For further information contact	5
APPENDIX A: Internal audit assignments completed to date	6

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Management actions for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is solely for the use of the persons to whom it is addressed and for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The Internal Audit Plan for 2017/18 was approved by the Audit, Crime & Disorder Scrutiny Committee in April 2017. Below provides a summary update on progress against that plan and summarises the results of our work to date.

This table informs of the audit assignments that have been finalised and the impacts of those findings since our last report to the Audit, Crime & Disorder and Scrutiny Committee.

The Executive Summary and Key Findings of the assignments below are attached to the end of this progress report.

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Local Plan (4.17/18)	FINAL	Reasonable Assurance	1	1	0
Transport - Contract Management (6.17/18)	FINAL	Substantial Assurance	3	0	0
Revenues (7.17/18)	FINAL	Reasonable Assurance	2	1	0
Benefits (8.17/18)	FINAL	Reasonable Assurance	0	1	0

In addition to the above, and as can be seen in the table in Section 3 below, we have issued a further report in draft and are awaiting management responses before we are able to finalise these reports.

2 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Business Process Review (Project) Homelessness (9.17/18)	Deferred from 2016/17	Draft report issued 1 December 2017
Payroll	January 2018	Undergoing quality review
Governance	February 2018	Fieldwork commences 12 February 2018
Cyber Security	June 2017	Fieldwork commences 3 March 2018
Planning	October 2017	Fieldwork commences 12 March 2018
Asset Management	Addition to plan	Fieldwork commences 26 March 2018
Data Protection	November 2017	Fieldwork commences 26 March 2018
Private Sector Leasing	October 2017	Scoping and dates under discussion
Housing Needs	September 2017	Management request for deferral to 2018/19
Temporary Accommodation Initiatives	October 2017	Management request for deferral to 2018/19
IT General Controls	December 2017	Scoping and dates under discussion
Follow Up	Throughout the year	Ongoing

3 OTHER MATTERS

3.1 Changes to the audit plan

As reported at the last meeting of the Audit, Crime & Disorder and Scrutiny Committee we have received requests to defer two audits, both in the area of housing and relating to Housing Needs and Temporary Accommodation Initiatives as this area is going through a period of change at the current time. Should these audits be deferred into 2018/19 we would need to discuss with management replacing these with other areas for audit in order still to have sufficient audit coverage to provide our annual opinion. Additionally, as discussed at the last meeting of the Audit, Crime & Disorder and Scrutiny Committee, we have arranged a review of Asset Management to provide further assurance regarding the Commercial Property Acquisition. There have also been some changes to timings in relation to the audits of private sector leasing and data protection and this has been to allow for changes in the areas concerned to be completed prior to our audits being completed.

3.2 Information and briefings

There have been no information briefings since the last Audit Committee

FOR FURTHER INFORMATION CONTACT

Mike Cheetham, Head of Internal Audit

mike.cheetham@rsmuk.com

07800 617204

Lorna Raynes, Client Manager

lorna.raynes@rsmuk.com

07972 004175

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Joint Audit Committee and included for information purposes only:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Booking System and Income Collection (1.17/18)	FINAL	Reasonable Assurance	3	0	0
Emergency Planning (2.17/18)	FINAL	Reasonable Assurance	4	3	0
Property Management (3.17/18)	FINAL	Reasonable Assurance	5	0	0
Commercial Property Acquisition (5.17/18)	FINAL	Substantial Assurance	0	0	0

LOCAL PLAN - EXECUTIVE SUMMARY

1.1 Background

An audit of the Council's processes to develop the 'Local Plan' was carried out as per the Council's internal audit plan

National planning policy places Local Plans at the heart of the planning system, so it is essential that they are in place and kept up to date. Local Plans set out a vision and a framework for the future development of the area. National planning policy sets clear expectations as to how a Local Plan must be developed in order to be justified, effective, and consistent with national policy.

The Epsom and Ewell District-wide Local Plan covers the whole of the administrative area of Epsom and Ewell Borough Council. The Epsom and Ewell Local Plan provides the local policy framework for the borough against which planning applications will be assessed. The Local Plan is supported by an extensive Evidence Base. These background studies and surveys have helped to inform the adopted policies and will underpin future policy preparation. Amongst other material, this evidence base includes the Strategic Housing Market Assessment (SHMA) and the EEBC Green Belt Study.

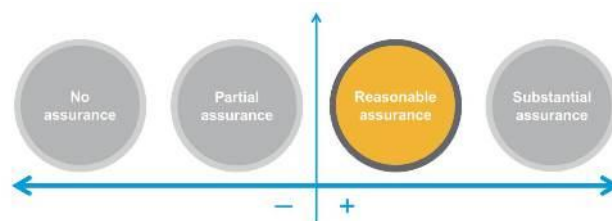
The purpose of the audit was to provide assurance around the arrangements for developing the Local Plan at the Council and how the progress of the completion of the plan is monitored.

1.2 Conclusion

We found there were generally sound controls around the processes for developing the Local Plan at the Council.

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings from this review are as follows:

Design of the Control Framework:

We identified one low level action surrounding the design of the control framework, details of which can be seen at section 2 below.

Application of the Control Framework:

- Local planning authorities must publish information at least annually to show progress with Local Plan preparation, reports any activity relating to the duty to cooperate and to show how the implementation of policies in the Local Plan are progressing. We note that as part of this process Officers provided the Planning and Licence Policy Committee with the 2015/16 Housing Annual Monitoring Report (AMR) in April 2017. Due to a shortage of resources the AMR was not fully completed and the Councils Monitoring Officer commented in the report supplied to the Committee that “The Council is in breach of its statutory obligation to publish an annual monitoring report in respect of 2015/2016. As acknowledged in the body of the report it does not contain all of the prescribed information. Whilst the reasons for this are understood, it is important that the necessary information be published as soon as practicable, and that the report relating to the period 2016/2017 be produced without undue delay” At the time of this audit the 2016/17 report had not been produced and an action (Medium) is listed in our action plan in Section 2 of this report.

Notwithstanding the above, we noted the following examples of well-designed controls being applied effectively:

- Outlined within the Local Plan Programme is the anticipated resource requirement for the year. A dedicated team is assigned to developing the Local Plan. Other staff may be called upon by the Planning team to complete the plan itself. We established that resource requirements were considered as part of the Local Plan. Other officers as required can be called on from within the Place Development team.
- Stakeholder resources are factored into the decision making process when developing the Local Plan. Where it is clearly demonstrated that the Council does not have sufficient land supply or infrastructure capacity to accommodate all of their identified growth needs they will work with their neighbours and other strategic partners on how those needs could be addressed across a wider area. The first prescribed point in the process for formal consultation normally follows the publication of the Issues & Options Consultation Paper. This is typically referred to as the Regulation 18 consultation stage. This has yet to happen in respect of the current Local Plan review process. The Council anticipate that this formal consultation exercise will take place during the Autumn 2017
- Monitoring of reporting milestones occurs regularly at the Planning and Licensing Policy committee. We note that slippage has occurred against the initial programme timetable and that Local Plan submission to the Secretary of state originally scheduled for November 2017 is now set for May 2018. We note that officers are making progress against the revised timetable and have published a Strategic Housing Market Assessment in accordance with the timetable.
- The Council's Licensing & Planning Policy Committee considers items, including key evidence base documents, relating to the Local Plan. The Licensing & Planning Policy Committee are the main policy committee for the development of the Local Plan – they consider and agree draft documents for the purposes of consultation and submission. We selected a sample of reports related to the local plan on the Council's website and found that these had been approved by the Planning and Licensing committee
- New policies are prepared on the basis of collated evidence. The Council publishes its Local Plan Evidence Base on the Borough Council web site. Key evidence base documents, such as the Strategic Housing Market Assessment, are taken before the Borough Council's Licensing & Planning Policy Committee. The Council have in place and are in the process of producing a number of documents to support the development of the core local plan strategy. The partial review of the Core Strategy is supported and informed by new evidence and a refresh of existing technical studies.

- KPI's that measure the performance of the Local Plan are the key priorities which are measured against critical milestones. These targets form part of the overall corporate plan for the Council. We verified that performance measures are in place to measure the progression towards the completion of the local plan. These were approved as part of the priority targets for 2017/18.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Implementation of the Local plan	1	(9)	0	(9)	1	1	0
Total					1	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Implementation of the Local Plan								
2.1	Risks facing the completion of the plan are documented in the Local Plan Programme. Risks identified are accompanied by mitigating actions. However, risks are not formally recorded within a risk register that is actively monitored at committee level.	No	N/a	<p>Although the Planning team have made efforts to identify potential risks faced by the Council and reported them with the annual monitoring report this is not accompanied by a formal risk register that is reviewed at committee level.</p> <p>There is a risk that although risks are being identified on an annual basis these are not being monitored throughout the year as they may potentially evolve.</p>	Low	A risk register will be developed for the project. Risk identified within the annual monitoring report will be migrated into the register and will be actively monitored via committee meetings to ensure risks and the corresponding risk mitigating strategies are up to date.	02 October 2017	<p>Karol Jakubczyk - Planning Policy Manager</p> <p>Mark Berry – Head of Place Development</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.2	Section 35 of the Planning and Compulsory Purchase Act 2004 (as amended) requires local planning authorities to publish monitoring information to the public at least yearly in the interests of transparency.			<p>The Local Plan Annual Monitoring Report (AMR) is under normal circumstances prepared at the end of each financial year.</p> <p>Officers provided the Planning and Licence Policy Committee with the 2015/16 Housing Annual Monitoring Report (AMR) in April 2017. Due to a shortage of resources the AMR was not fully completed and the Councils Monitoring Officer commented in the report supplied to the Committee that "The Council is in breach of its statutory obligation to publish an annual monitoring report in respect of 2015/2016. As acknowledged in the body of the report it does not contain all of the prescribed information. Whilst the reasons for this are understood, it is important that the necessary information be published as soon as practicable, and that the report relating to the period 2016/2017 be produced without undue delay" At the time of this audit the 2016/17 report had not been produced</p>	Medium	In order to comply with statute the Housing Annual Monitoring Report 2016/17 will be produced as soon as possible	March 2018	Mark Berry – Head of Place Development

TRANSPORT CONTRACT MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

An audit of Transport Contract Management was undertaken as part of the 2017/18 approved internal audit plan for Epsom and Ewell Council.

In January 2017, the Council and Specialist Fleet Services Limited (SFS) renewed their contract agreement for the supply and maintenance arrangements applicable to the majority of the Council's transport fleet. SFS was selected after the contract went out to tender; the new contract will terminate in April 2027 and includes a break clause to terminate at any time within the period of the contract. Each vehicle or plant hired from SFS has its own individual contract. Whilst this must comply with the main contract, individual contracts are of differing term lengths. Therefore, some vehicles hired by the Council remain under the terms of the old SFS contract.

The fleet size and make-up is dependent on the Councils corporate objectives, operational needs and budget. At the time of our review, the Councils fleet list (which includes vehicles and plant) comprised of the following:

Ownership	Number
Hired (under new contract)	52
Hired (under previous contract.	21
Council Owned	11
Total	84

The SFS workshop is located next to the Councils transport depot which allows for direct and timely communication when vehicle inspections or additional repairs are required. The number of inspections required (per year or hour used) is defined in the contract service specification and a rolling twelve-month plan incorporating these specifications is maintained by the Transport Administrator. This ensures that inspections take place when due without impacting operational effectiveness as the vehicle will be removed from the fleet temporarily.

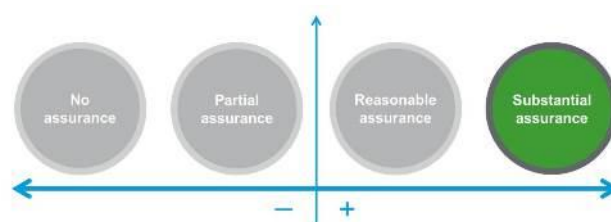
In instances where unscheduled repairs are needed, the Council has a register of trusted hire companies in which short term cover vehicles can be procured if they cannot cope with business need from the existing usable fleet.

Payments to SFS are made on the hire agreements by monthly Direct Debit, with any additional payments due to repairs being invoiced and approved separately. Where SFS cannot complete the repair, the Council will work with them to source the required works. All invoices require authorisation in line with the Councils financial procedures.

1.2 Conclusion

Internal audit opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Design, application and compliance with the control framework

We identified three '**Low**' priority issues requiring management action. One related to the design of the control framework; and two related to compliance with the control framework. Details of these low priority issues can be found in section 2.

Notwithstanding the above, we noted the following examples of sound design, application and compliance with the control framework:

- Overarching all vehicle contracts is a contract with SFS which acts as a service level agreement until contract expiry on 1 April 2027. This was signed by both SFS and the Council on 18 January 2017 prior to its commencement.
- At the start of each individual vehicle hire term and/or at the start of each tax year, an annual VAT invoice is provided for each vehicle which confirms the amounts and dates in which Direct Debit payments are required. These are approved by the Transport and Waste Services Manager and sent to Finance.

The purchase ledger team monitor the direct debit payments to SFS through an internal spreadsheet. Each time a payment is required they will obtain the approved annual VAT invoice and reference this to the payment request. This documentation is reviewed as part of the finance payment run authorisation.

For a sample of fifteen vehicles we were provided with the referenced invoice for each monthly payment made since 1 April 2017 (or since the start of the lease agreement thereafter) to 31 October 2017. All had been approved by the Transport and Waste Services Manager.

- A spreadsheet is used to plan and monitor compliance with safety inspections, MOTs and other vehicle licenses. Each vehicle has a twelve-month rolling plan with the inspection and license deadlines clearly marked. We selected a sample of fifteen vehicles and confirmed that the safety inspection deadlines documented in the spreadsheet were consistent with the contracted requirements from 1 April 2017 (or when the vehicle was procured thereafter) until 31 March 2017.
- A 'snapshot spreadsheet' is used to create a weekly schedule of vehicles which will be serviced by SFS. The Transport Administrator prepares a roster and provides this to each fleet manager in the prior week. We were provided with the roster for each week from 1 April 2017.
- When a vehicle is inspected or serviced by SFS a report of the works completed, actions taken and actions outstanding is provided to the Transport Administrator. These are filed for each vehicle and the snapshot spreadsheet updated to identify that the required inspection or service took place. For our sample of fifteen vehicles we were able to confirm, in all instances, that inspection reports had been provided in line with the snapshot schedule.
- Additional repairs due to failure or damage are arranged as soon as possible with SFS. Once the works are completed, the Fleetwave system will report this (Fleetwave is an SFS system for which the Transport and Waste Services Manager and the Transport Administrator have access). The works are then reviewed and approved by the Council which will trigger an invoice to be sent by SFS.

- Where repairs cannot be completed by SFS an independent contractor will be procured and paid when an invoice is received. All invoices must be authorised by either the Transport and Waste Services Manager or the Transport Administrator before being processed by Finance. We confirmed that their sample signatures were on the authorised signatory list in the Finance Department.
- We selected a sample of fifteen invoices posted to the avoidable repairs account and confirmed that in all instances an invoice was in place which was approved by either the Transport and Waste Services Manager or the Transport Administrator.
- The Transport and Waste Services Manager has access to the general ledger and therefore they can review and monitor expenditure as soon as Finance have posted invoices to the transport accounts. These can be broken down into service area, and per vehicle.
- Additional short-term hire vehicles are required when vehicles in the fleet are out of action, or where demand is above the capacity of the fleet (this is usually seasonal). Each time a vehicle is hired it is added to the 'hire spreadsheet' which documents the dates of hire, cost information, date added/ removed from insurance and a comment to justify why the vehicle was needed.
- A sample of fifteen short term vehicle hires were selected from the 'hire spreadsheet'. In all instances, we confirmed that there was a business need and that a hire agreement was signed by the Transport and Waste Services Manager. We also reviewed the invoice payments with the Finance Department. In all instances, an approved invoice was provided.
- The Transport and Waste Services Manager is the O-Licence holder and is responsible for ensuring that payment is made annually to ensure the continuation of the licence, and that any extension to the current licence terms and implemented where required in a timely manner. We obtained the Licence and confirmed that the Transport and Waste Service Manager is the Licence holder and the licence was renewed in May 2017. The vehicles listed fully reconciled to those required to be licenced on the fleet list.
- The Transport Department have a Contingency Plan in place which provides a number of procedures which must be followed by the Transport Department and their drivers, including those in the event of a reduced fleet. This was last reviewed and updated in March 2017.
- We were provided with the budget analysis for 2017/18, draft 2018/19 budget analysis and the tender options used to confirm the contract arrangements with SFS; all of which were consistent with the resulting fleet size and make-up.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Signed contracts are held for all vehicles operated;	0	(2)	1	(2)	1	0	0
Performance targets have been set and are regularly reported to the management team	1	(2)	0	(2)	1	0	0
The vehicle fleet's size and make up is regularly reviewed to ensure it effectively meets the requirement of the Council's corporate plan;	0	(5)	1	(5)	1	0	0
Total					3	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

1.5 Additional feedback

- Each time a vehicle is taken out by a driver and returned by a driver, they are required to complete a vehicle check and report any defects in the vehicle defect log book. If no defects are found, a page in the log must still be completed to evidence the nil findings.

We selected a sample of fifteen instances where avoidable repair costs had been posted to the ledger to ensure that the defect had been reported in the vehicle log. We were unable to complete this testing as the logs are always retained in the vehicle, and, at the time of our review they were in use.

However, we were advised by the Transport and Waste Services Manager that non-compliance with reporting all defects has been noted, and therefore they indicated that it was likely that if we had completed this testing, errors would have been identified.

We were provided with email evidence to confirm that prior to the audit, the Transport and Waste Services Manager had communicated their concerns to all drivers and reiterated the requirement for their continued compliance.

As mitigating action has already taken place, we have not raised an action in relation to this finding.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

Area: Signed contracts are held for all vehicles operated;

1.1	Each vehicle has an individual contract in place which operates under the conditions of the main contract which expires in 2027. The contracts are to be signed by the Transport and Waste Services Manager and a representative from SFS.	Yes	No	We selected a sample of fifteen vehicles from the 2017/18 Fleet Register to ascertain if a signed contract was in place and to ensure that the contract length as per the register had been input accurate. We identified eleven instances from our sample of fifteen where contracts had not been signed by an SFS representative. There is a risk that the individual vehicle terms have not been formally agreed by SFS which could lead to dispute.	Low	The Transport Department will ensure that all vehicle contracts held are signed by a representative at SFS.	31 December 2017	J Sharpe
-----	---	-----	----	--	-----	---	------------------	----------

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Performance targets have been set and are regularly reported to the management team								
2.1	<p>When procuring the new contract with SFS, the Council's tender requirements included a bespoke KPI dashboard with the contractor such that more concise and applicable management information could be used for monitoring performance.</p> <p>Whilst a plan of the measure has been created, the target performance to monitor against each measure has not been finalised and thus the data is not yet created.</p>	No	N/A	<p>SFS produce a standard KPI and Performance report which is made available to EEBC monthly, and is discussed quartile when SFS and EEBC formally meet. We were provided with the October 2017 report.</p> <p>Through discussion with the Transport and Waste Services Manager we ascertained that SFS' tender application used to appoint them included an agreement to provide more detailed and specific KPIs to the Council. Whilst the proposed KPIs are documented, they are yet to be formally agreed. In addition, the frequency of this data being received has also not yet been decided.</p> <p>There is a risk that performance is not being maximised as it cannot be monitored efficiently and effectively.</p>	Low	The KPI and reporting arrangements will be progressed as soon as possible to ensure that management information can be received and analysed regularly by the Council.	31 December 2017	J Sharpe
Area: The vehicle fleet's size and make up is regularly reviewed to ensure it effectively meets the requirement of the Council's corporate plan;								
3.1	<p>The Council has a documented Fleet Policy.</p> <p>The Policy defines that the Transport Department will work with their suppliers as</p>	Yes	No	The policy version provided was dated June 2016. Whilst we confirmed that main practises have not changed, elements of the Policy, such as the O-Licence date, are now incorrect.	Low	On an annual basis the Fleet Policy will be reviewed and updated.	31 March 2018	J Sharpe

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	well as manage their owned vehicles in accordance with contract specifications such that they are safe, legal, fit for purpose, insured and available when needed.			There is a risk that if the Policy is not reviewed on a consistent basis, the information will no longer be applicable or reflect current best and operational practices.				

REVENUES - EXECUTIVE SUMMARY

1.1 Background

An audit of Revenues was undertaken as part of the approved internal audit periodic plan for 2017/18.

As of 5 November 2017, there were 32054 properties chargeable for Council Tax across Epsom and Ewell Borough Council's valuation list. Of these, 8929 were 'Band D' properties, paying £1743.14 for their annual fee. This represented a 4.35% increase on the Band D charge for 2016/17 (£1670.54). Annual Council Tax fees range from £1,162.09 for 'Band A' properties to £3,486.28 for 'Band H' properties.

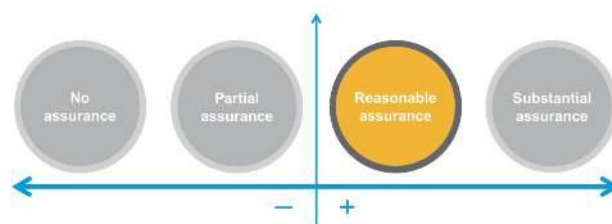
Similarly, with regards to businesses within the Borough of Epsom and Ewell, as of 6 November 2017 there were a total of 1,816 hereditaments with a total rateable value of £64,549,247.

Monthly local performance indicators are maintained by the Head of Revenues and Benefits and the Revenues Manager. These document the percentage of total Council Tax/NNDR receipts collected. As of the end of October 2017, Epsom and Ewell Borough Council had collected 71.40% of total Council Tax receipts against a year to date target of 71.00%. With regards to business rates, the Council had collected 68.46% of NNDR business receipts against a year to date target of 67.90%. The Council has an end of year target of 99.00% collection for both Council Tax and NNDR.

The Council uses the Academy system for the management of council tax, benefits and NNDR. The document management system used is iDox. The objective of this audit was to review those controls that provide assurance that Council Tax and business rates are accurately calculated and promptly collected. Conclusion

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.2 Key findings

The key findings from this review are as follows:

- We reviewed a sample of five monthly reconciliations between Academy and the general ledger. We could not confirm that the full sample of reconciliations had been produced in a timely manner. The August, September and October Academy to General Ledger reconciliations were delayed and were being produced at the time of our audit in November,. Failure to produce reconciliations on a monthly basis may mean errors or omissions within the monthly reconciliation balances are not identified in a timely manner. **(Low)**
- For a sample of five weekly Council Tax Valuation Office Authority (VOA) reconciliations and five weekly NNDR VOA reconciliations, we could not confirm that these two figures were reviewed by a member of the Revenues team on a weekly basis and backed up with a relevant signature to evidence checking, for NNDR only. In line with best practice, we would advise a signature and date of review be clearly documented on each weekly NNDR VOA reconciliation to evidence checking has taken place in a timely manner. **(Low)**

- For a sample of five NNDR accounts that were in arrears during 2017/18, we found one case (#100892778), to the value of £503.56, where we could not confirm that appropriate recovery action had taken place. In this case, a reminder letter (12/04/17) and a final reminder (10/07/17) was issued but no further action was taken. Failure to adequately follow the Council's specified recovery timetable leaves the Council at risk of debts becoming irrecoverable. **(Medium)**

Well-designed controls being applied effectively

- Academy is reconciled to the cash receipting system and banking records for online banking and Giro payments on a daily basis. We found the reconciliation of cash receipts was completed the following day in all ten cases sampled. In each case, we confirmed that reconciliations were produced in a timely manner, totals for each reconciliation balanced and reconciliations were prepared by one member of the revenues team before being authorised by the revenues manager.
- Amendments to council tax records for properties are entered on Academy as per the VOA (Valuation Office Authority) reports as they are received. We reviewed a sample of ten amendments finding that they were correctly updated on to Academy in a timely manner and weekly reconciliation reports were signed by the Revenues Manager.
- Amendments to NNDR records for the rateable value of properties are entered on Academy as per the VOA (Valuation Office Authority) reports as they are received. We reviewed a sample of ten changes to rateable value finding that they were correctly updated on to Academy as per the government website, and weekly reconciliation reports were signed by the Revenues Manager in a timely manner.
- The correct rates of Council Tax for 2017/18 were approved at the Full Council committee meeting on 14 February 2017. Once the council tax rates have been agreed the newly approved parameters are uploaded to Academy. Screen prints from the system are subsequently printed and reviewed by the Revenues Manager to ensure the uploaded parameters are correct. We found that the Revenues Manager had reviewed the newly uploaded parameters in a timely manner prior to the start of the financial year and a signature was in evidence.
- For a sample of ten Council Tax refunds from a variety of weekly reports, we confirmed that each refund value on academy matched that on the weekly report and each refund was adequately supported with evidence supporting the reason for the refund.
- A variety of discounts and exemptions are offered by the Council to reduce individuals' Council Tax burdens if the relief applies to them. Single Person Discounts and second home reduction are given on the basis of signed declarations. Third party documentation is required to support severe mental illness, student disregards etc. We reviewed a sample of ten discounts and exemptions, finding them to be appropriately applied.
- Reliefs are applied on application where qualifying conditions are met, such as for charities, and for those businesses that qualify for small business rate relief. For a sample of organisations subject to business relief we verified that all had the required backing documentation on file and the value of the relief had been correctly applied on Academy.
- We reviewed internal key performance indicators spreadsheets maintained and recorded by the Revenues Manager, finding them to be complete and target-focused. These spreadsheets document the percentage of total Council Tax/NNDR receipts collected and are reviewed as part of the Leadership Team Corporate Dashboard on a monthly basis.

1.3 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Reconciliations between revenues systems, cash receipting systems and the general ledger, are being carried out on a periodic basis	0	(2)	1	(2)	1	0	0
Valuation Office updates and reconciliations to ensure current Council Tax bands are accurate for properties	1	(3)	0	(3)	1	0	0
Correct rates of Council Tax have been approved at the Council and are accurate on Academy	0	(1)	0	(1)	0	0	0
Council Tax refunds are being carried out as per the Council's policies and procedures and have been appropriately authorised	0	(1)	0	(1)	0	0	0
Recovery, reminder and legal processes ensure unpaid taxes are promptly pursued	0	(2)	1	(2)	0	1	0
Discounts and exemptions for Council Tax have been effectively applied	0	(3)	0	(3)	0	0	0
Reliefs have been appropriately applied with the regards to NNDR business rates	0	(1)	0	(1)	0	0	0
Key performance indicators are in place to monitor trends in performance	0	(1)	0	(1)	0	0	0
Total					2	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
-----	---------	----------------------------------	---------------------------------	---------------------------------	----------	-----------------------	---------------------	-------------------

Area: Reconciliations between revenues systems, cash receipting systems and the general ledger, are being carried out on a periodic basis

1	<p>The reconciliation of the General Ledger to Academy is undertaken on a monthly basis by the revenues manager. This reconciliation is undertaken to identify any accounting errors or omissions in a timely manner between the two balances.</p> <p>Once differences are identified, they are investigated by the revenues team to be</p>	Yes	No	<p>We reviewed a sample of five monthly reconciliations between Academy and the general ledger. In each case, we confirmed that:</p> <ul style="list-style-type: none"> - the transaction totals between academy and the general ledger balanced - each reconciliation was prepared by the revenues manager before being authorised by an Accountant. <p>An email trail exists to evidence the escalation of the Academy reports to the Accounts team.</p>	Low	<p>Management will ensure that all Academy to General Ledger reconciliations are produced on a monthly basis, following the submission of Academy reports to the Accounts team.</p>	01 December 2017	Teresa Wingfield - Senior Accountant
---	---	-----	----	--	-----	---	------------------	--------------------------------------

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	resolved as a balancing item going forward. All reconciliations are sent to a member of the Accounts Team to be reviewed and authorised before being finalised.			<p>However, we could not confirm that the full sample of reconciliations had been produced in a timely manner. For August, September and October Academy to General Ledger reconciliations, we were unable to review reconciliations on the first day of our audit testing and they were in the process of being updated/completed.</p> <p>Via discussion with the Accounts team, we confirmed that there had been some slippage in the production of Academy to General Ledger reconciliations as a result of a lack of resource on the Accounts team. At the time of the audit, we confirmed that an Accountant had begun the process of reconciling monthly Academy figures to the General Ledger and this was to continue for the remainder of 2017/18.</p> <p>Failure to produce reconciliations on a monthly basis may mean errors or omissions within the monthly reconciliation balances are not identified in a timely manner.</p>				
Area: Valuation Office updates and reconciliations to ensure current Council Tax bands are accurate for properties								
2	The VOA reports are reconciled to an Academy report after the input of changes.	No	N/A	For a sample of five weekly Council Tax Valuation Office Authority (VOA) reconciliations and five weekly NNDR VOA reconciliations, we	Low	Management will ensure that a signature and date of review is clearly documented on each	01 December 2017	Siobhan Gavigan - Revenues Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>The total number of properties overall and per Band/Rateable Value are agreed, however the reconciliation is not currently signed for NNDR.</p> <p>This reconciliation occurs on a weekly basis and any differences between the value on academy with the value VOA report are investigated</p>			<p>confirmed that the total number of residential properties in the Borough and the total rateable value of business properties in the Borough reconciled.</p> <p>However, we could not confirm that these two figures were reviewed by a member of the Revenues team on a weekly basis and backed up with a relevant signature to evidence checking for NNDR only.</p> <p>In line with best practice, we would advise a signature and date of review be clearly documented on all weekly VOA reconciliation to evidence checking has taken place in a timely manner.</p>		weekly VOA reconciliation for both Council Tax properties and NNDR properties going forward.		
Area: Recovery, reminder and legal processes ensure unpaid taxes are promptly pursued								
3	Reminders, Final Letters and Summons Letters are generated by Academy according to the delay in payment. The reports are reviewed to identify any that need to be withheld because payment may have been received and not yet posted or the account holder is known to have recently deceased for example. After this review the	Yes	No	<p>We reviewed a sample of five Council Tax arrears accounts and confirmed that appropriate action had been taken in each case.</p> <p>We reviewed a sample of five NNDR accounts that were in arrears at some point during 2017/18. In four cases, we confirmed that appropriate action had been taken in the recovery of the debt, with letters, summons and liability orders issued in line with the Council's recovery timetable.</p>	Medium	<p>Management will ensure that the identified case (#100892778) is followed up and summons are issued to the individual responsible. The Council's recovery timetable should be followed to maximise the chances of recovering the debt.</p> <p>In addition, management will ensure that a review of all NNDR cases that</p>	01 April 2018	Siobhan Gavigan - Revenues Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>reminder report is run and the letters printed and sent.</p> <p>The dates of these are set to coincide with hearing dates set each month by the courts for dealing with arrears</p>			<p>However, in one case (#100892778), to the value of £503.56, we could not confirm that appropriate recovery action had taken place. In this case, a reminder letter (12/04/17) and a final reminder (10/07/17) was issued but no further action was taken.</p> <p>Following a lack of response/payment, the Council should have escalated this account subsequently to a summons and a liability order if necessary.</p> <p>Failure to adequately follow the Council's specified recovery timetable leaves the Council at risk of debts becoming irrecoverable.</p>		are currently in arrears is undertaken to ensure all cases are currently being managed in line with the Council's recovery timetable.		

BENEFITS - EXECUTIVE SUMMARY

1.1 Background

An audit of Housing Benefits and Council Tax Support was undertaken as part of the approved internal audit periodic plan for 2017/18.

The main purpose of the service is to support local communities, including some of the most vulnerable, with financial assistance to allow them to live in their homes. This is done by efficiently administering the national Housing Benefit Scheme and Epsom and Ewell's own Local Council Tax Support Scheme. The team administering these schemes is responsible for:

- The prompt and accurate calculation and payment of Housing Benefit and Council Tax Support
- Provision of advice and support on entitlements of a range of other Welfare Benefits

Epsom and Ewell Borough Council has decided a total of 388 new housing benefit claims at the time of audit, covering the period from 31 March - 31 October 2017. New claims for 2017/18 have taken an average of 26.47 days to process at the time of audit, compared with 29.03 days for the whole of 2016/17. Changes to currently existing Housing Benefit and Council Tax Support claims have taken an average of 10.22 days to process so far in 2017/18 at the time of audit, compared with 8.17 days for the whole year 2016/17.

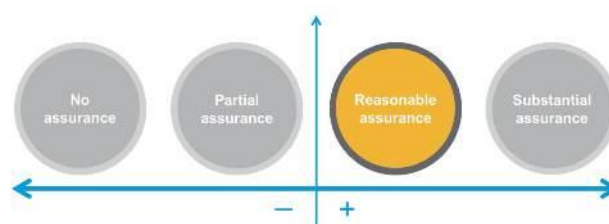
The Housing Benefits and Council Tax Support claims are calculated through the use of the Academy system and an integrated document management system IDOX.

The objective of this audit was to evaluate the adequacy of control established to ensure that benefits are accurately and promptly calculated.

1.2 Conclusion

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings from this review are as follows:

- Council Tax and Council Tax Support system reconciliations are due to take place on an at least a weekly basis. We reviewed a sample of ten daily reconciliations between the Council Tax and Council Tax support system. We confirmed that Council Tax and Council Tax Support systems were in balance for the sample of ten that we selected. However, upon review of the general daily reconciliation spreadsheet, we observed 'exceptions' outside of this sample where there had been an absence or delay in reconciliation. For example, between 7-28 July and 19 September - 26 October, we confirmed that the reconciliation did not take place. Failure to produce reconciliations on an at least weekly basis may lead to the risk that errors and omissions are not identified in a timely manner. **(Medium)**

Well-designed controls being applied effectively

- We reviewed a sample of five weekly Housing Benefit system (hb6820a) to creditor system reconciliations. Each reconciliation was completed in a timely manner, was in balance and signatures were present to evidence a preparer and a reviewer.
- We reviewed the uplift of benefit payment parameters on academy in line with the rates provided by the Department of Work and Pensions in the Housing Benefit circular. For a sample of 15 new Council Tax Support / Housing Benefit rates, we found that values entered on Academy corresponded to those in the Department of Work and Pensions' Housing Benefit circular. The parameter screens were input and printed by the Benefits Manager, before being subsequently reviewed and signed by two senior members of the Housing Benefits team.
- We reviewed a sample of ten new claims at the Council in 2017/18. In each case, we confirmed a claim form is present and that clear correspondence is detailed on the Academy system between the claimant and the benefits team to detail the outcome/nature of the claim. Evidence of the claimant's earnings and ID were in evidence.
- For our sample of ten change of circumstances, we confirmed in each case that change of circumstance forms were in place which detailed the nature of the change. Evidence was provided that supported the change of circumstance, including bank statements, birth certificates and recent payslips. The claimant was informed of the decision made by the Benefits team and correspondence was in evidence.
- For a sample of ten overpayments in 2017/18, we confirmed that appropriate action was taken to recover the debt in each case in line with the Council's recovery timetable. Debts are recovered via deductions from existing entitlement, earnings attachments and lump sum payments.
- We reviewed a sample of ten Discretionary Housing Payment (DHP) claims made at the Council in 2017/18. In each case, we confirmed that a claim form was in place and was appropriately evidenced on Academy. The arithmetic behind each claim was clearly detailed and correct. 10% of DHP awards are subject to a secondary review at the end of each month.
- Backdated payments are awarded when claimants have failed to notify the Council of their eligibility to housing benefit or Council Tax support and can demonstrate good cause as to why they have not claimed it. We reviewed a sample of ten backdated payments made to housing benefit recipients in 2017/18. In each case, we confirmed a relevant form was in place with backing evidence supporting the nature of the claim. The calculation behind the backdating was correct and claimants were informed when a decision was reached.
- The Council is currently phasing in Universal Credit (UC) within the Borough. For a sample of five accounts in receipt of UC, we confirmed that four of the accounts were no longer in receipt of housing benefit. In the one exceptional case, an individual was still in receipt of housing benefit. However, through discussion with the Benefits Manager, we confirmed that this individual was still eligible to claim housing benefit as they were housed in supported accommodation within the Borough. As of November 2017, DWP refers supported accommodation UC claims back to the Borough.
- We reviewed performance indicator data for 2017/18. This detailed the speed of processing of new claims and any changes to housing benefit and council tax support claims. We confirmed that the Council is currently meeting its target of 11 days for the processing of changes to claims, with changes taking 10.22 days to process on average between April - October 2017. In addition, the Council is currently meeting its target of 28 days for the processing of new claims, with new claims taking 26.47 days to process on average between April - October 2017.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Reconciliations between Council Tax, Council Tax Support, Creditors Systems and the General ledger are undertaken	0	(2)	1	(2)	0	1	0
The DWP's Annual uplift of benefit payment parameters have been accurately input into Academy and reviewed	0	(1)	0	(1)	0	0	0
New claims and changes in circumstances of claimants have been accurately recorded on Academy and are backed up with appropriate evidence	0	(2)	0	(2)	0	0	0
Benefit and Council Tax Support overpayments have been appropriately chased	0	(1)	0	(1)	0	0	0
Evidence that discretionary payments are authorised and are awarded based on a clear set of criteria consistently applied	0	(1)	0	(1)	0	0	0
Backdating of claims have been appropriately processed and evidence is in place to support the backdating	0	(1)	0	(1)	0	0	0
Where applicants have changed to Universal Credit, the Council have removed other benefits they're currently in receipt of once notified by DWP	0	(1)	0	(1)	0	0	0
Key performance indicators are in place to monitor performance trends	0	(1)	0	(1)	0	0	0
Total					0	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Reconciliations between Council Tax, Council Tax Support, Creditors Systems and the General ledger are undertaken								
1.	The Council Tax Support system is checked daily for any imbalances. Reports are printed off and investigated. The Lead Benefits Officer reviews totals of the ct6140 and hb6820a reports to confirm that totals are in agreement.	Yes	No	We reviewed a sample of ten daily reconciliations between the Council Tax and Council Tax support system. In each case, we confirmed that: - Council Tax and Council Tax Support systems were in balance - Reconciliations were produced in a timely manner However, upon review of the general daily reconciliation spreadsheet, we confirmed that the reconciliation did not take place at least once a week since April 2017. For example,	Medium	Management will ensure that reconciliations are produced on an at least weekly basis and are appropriately documented within the reconciliations spreadsheet. Signatures and the date of review must be documented by the preparer and the reviewer.	01 January 2018	Pete Wells - Benefits Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>between 7-28 July and 19 September - 26 October, we could not confirm that reconciliations between Council Tax and the Council Tax Support system had taken place.</p> <p>In addition, we could not confirm the signature of the preparer or reviewer on the reconciliation. As of 2017, the Council has opted not to print its academy reports in line with its goal of going paperless and accordingly no handwritten signatures were in evidence.</p> <p>Accordingly, failure to produce reconciliations on an at least weekly basis may lead to the risk that errors and omissions are not identified in a timely manner. All reconciliations must be signed and dated by the preparer and the reviewer.</p> <p>Following discussion with the Benefits Manager, we confirmed that there have been issues with staff resource during summer and autumn 2017.</p>				