

## Monitoring of Internal Audit

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### Resource Management and Audit Scrutiny Panel

11th March 2004

#### 1 Purpose of report

To review the performance of the Internal Audit Section in the period 1st October 2003 to 31st December 2003.

#### 2 Summary

The Internal Audit Section during the period 1st October 2003 to 31st December 2003 carried out work in a variety of sections within the Council and funded bodies. The work produced 20 final reports, which have been agreed with management and action plans to implement recommendations have been put in place.

#### 3 Main report

##### Outputs

- 3.1 The number of audits completed compared to planned remained at a similar level to the previous quarter and this is slightly above the previous year's figures, although the number of audits in progress has increased during this quarter. Comparative figures for the year to date and the previous year are as follows:

	<b>2003</b>	<b>2002</b>
	<b>April - Dec</b>	<b>April - Dec</b>
Number of audits planned	79	76
Number of completed	69	65
Percentage of plan completed	87.3%	85.5%
Audits in progress	27	19

- 3.2 The Section has continued to make a large commitment to the ongoing computer systems migration projects, with audit staff now involved in the Enterprise Finance Project.
- 3.3 Internal Audit staff are also actively involved in the project to implement the ICT security policy.

- 3.4 There has been a reasonable response to the anti-fraud initiative launched prior to Christmas. Over thirty reports have been logged on the Council web-site and each of these has been passed to the appropriate authorities. It should be noted that a large number of these reports relate to bodies outside Edinburgh or to systems not administered by the Council. Internal Audit continues to monitor the progress of the various investigations.
- 3.5 The Section continued to support and assist departments and the voluntary sector in the training of staff involved in operating financial systems.

## **4 Recommendations made**

Action plans have been agreed with management on all recommendations made within the reports issued and appropriate follow-up arrangements have been put into place. The follow-ups undertaken during the period have not revealed any serious departures from previously agreed timescales.

## **5 Major Reports issued in the period**

### **5.1 Non- Domestic rates reliefs and exemptions**

#### **Context**

The Non-Domestic Rates Section processes claims for reliefs and exemptions in respect of properties in the City of Edinburgh Council. The gross value of non-domestic rates levied for the City of Edinburgh Council for financial year 2003/04 is £301,950,755 with the value of reliefs and exemptions amounting to £41,608,933. The remit of this audit was to carry out substantive testing on a sample of reliefs and exemptions within the City of Edinburgh to confirm the validity and accuracy of these reductions in liability to Non-Domestic Rates.

#### **Conclusion**

In general we found from the test results that the Section operated appropriate procedures to ensure that:

- ◆ there is valid supporting documentation on file to substantiate entitlement to property relief/exemption;
- ◆ the relief/exemption granted complies with the current legislation and Council procedures;
- ◆ the award is calculated correctly and awarded from the date of entitlement;
- ◆ there is no undue delay in the processing of Non-Domestic Rating Relief/Exemption applications;
- ◆ the properties are regularly and adequately reviewed to confirm continued entitlement to rating relief

While the system is generally well controlled potential for further improvement was identified and these areas are detailed in the action plan attached (Appendix 1).

## 5.2 Foster Care Payments

### Context

Currently around 300 children are in foster care. Children requiring foster care are identified and supported through 12 Children and Families Social Work Practice Teams.

The aim of the audit was to ascertain whether adequate procedures are in place to ensure the following objectives:

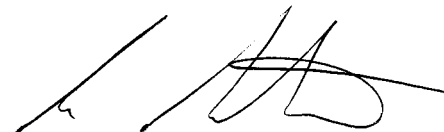
- ◆ payments are made in accordance with the scheme regulations;
- ◆ payments are appropriate, correct and processed on a timely basis;
- ◆ adequate separation of duties is in place.

### Conclusion

We were pleased to find both a proactive approach to managing the provision of this service into the future and good communication between the various teams involved in the payments process. However, our audit revealed that there is scope for management to improve the current system of control in order to meet the objectives set out above. In particular, there is a lack of consistency and clear guidance in relation to dealing with overpayment of fees and allowances. Our recommendations are detailed in the Action Plan agreed with management (Appendix 2)

## 6 Recommendation

It is recommended that the Panel note the contents of this report.



**Ian Stirton,  
Chief Internal Auditor**

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<b>Appendices</b>	Appendix 1 – Non - Domestic rates reliefs and exemptions Appendix 2 – Foster Care Payments
<b>Contact/tel</b>	Ian Stirton (0131) 469 3194
<b>Wards affected</b>	None
<b>Background Papers</b>	Executive Summaries held in the Audit and Review Service

No	Finding and Recommendation	Priority	Responsible Officer	Management Response	Completion Date
1	<ul style="list-style-type: none"> <li>◆ From the 30 claims examined no original application forms were seen for the following claims: Claims 1, 3-5,11,20 and 26. It is acknowledged that many of these application forms relate to properties that have been on the system for some considerable time. It is understood that files may have been pruned and in some instances documentation which should have been retained has been destroyed in error.</li> <li>◆ No other paperwork was seen in relation to Claim 1 other than the review form.</li> <li>◆ Insufficient information to support the application for Case12 was seen on file. Internal Audit was advised that the file may have been pruned and the required documentation may have been destroyed.</li> </ul> <p><i>Management require to ensure that clear guidance is given to staff regarding the pruning of files to ensure that all relevant documentation is retained on file and that all relevant documentation relating to a property is filed together.</i></p>	High	Rating Manager	Agreed, guidance will be issued.	30/11/03
2	<p>The following application forms had not been initialed as having been approved: Claims 2, 9-10, 15, 17-18, 21, 23-25 and 27. It is noted that these claims have been active since 1984 – 1998 and that in the last two cases the forms had no designated area for authorisation.</p> <p><i>Management requires to ensure that all new application forms are signed/initialed and dated as having been approved by the Team Leader and signed/initialed and dated by the member of staff who is processing the application on the computer system.</i></p>	High	Rating Manager	Agreed, guidance will be issued.	30/11/03

No	Finding and Recommendation	Priority	Responsible Officer	Management Response	Completion Date
3	<p>Visits to properties are normally only carried out to confirm the status of void properties. Active properties are only visited if there is a specific reason to do so. <i>Management should consider undertaking a small percentage of visits to confirm the status of active properties.</i></p>	Low	Rating Manager	Agreed, will be considered within next reviewing reliefs.	31/03/04
4	<p>From the files in relation to Cases 10 and 11 – these two properties previously came under The Abbeyfield Edinburgh Society. However they now are under the name of Outlook Housing Association. There is no documentation seen on file to confirm the reason for the change of owner. <i>Management should pursue this matter and ensure that a written response outlining the reasons for the change is received.</i></p>	High	Rating Manager	Agreed, matter will be pursued.	30/11/03
5	<p>From a sample of 10 void claims reviewed, only the Vacant Schedule was seen on the following files as confirmation that the property has become void: Cases 31 -32, 36-40. <i>Management should consider whether or not it is relevant to pursue owners for written notification in addition to the completion of the Void Schedule particularly in cases where Void Schedules have only been completed by Scott &amp; Co.</i></p>	Medium	Rating Manager	Agreed, that where a void schedule is completed by Scott & Co, written confirmation will be requested from the owner of the property at the <u>next</u> review.	31/05/04

No	Finding and Recommendation	Priority	Responsible Officer	Management Response	Completion Date
6	<p>Internal Audit were advised that Non-Domestic Rates staff have experienced some difficulties in the past with a number of the Void Schedules which have been completed and returned by Scott &amp; Co being inaccurate. It is acknowledged that in some instances, difficulties may have arisen due to Scott &amp; Co being unable to locate the exact property addresses and the forms have been completed for the incorrect property. This type of error can only be picked up by Non-Domestic Rates staff should they receive a telephone call or correspondence from the owner.</p> <p><i>Management should consider reviewing the current issues with Scott &amp; Co in an effort to reduce the number of errors Non-Domestic Rates staff are required to handle.</i></p>	Medium	Rating Manager	Agreed, will be dealt with as outlined in response to point 5 above.	31/05/04
7	<p>Internal Audit were advised that Non-Domestic Rates staff have also experienced some difficulties in relation to the completion and return of Void Schedules in respect of City of Edinburgh Council Departmental Properties. (It is a current requirement that all void properties are reviewed on an annual basis with follow-ups being undertaken in the event that no Vacant Schedule form is completed and returned).</p> <p><i>Management should consider reviewing the current difficulties experienced by their staff relating to the return and completion of Void Schedules from other City of Edinburgh Council Departments. Consideration should be given to notifying individual Service Directors of the problems experienced regarding the non-return of Vacant Schedules or the timeous receipt of schedules via the appropriate channels of properties that have become occupied.</i></p>	Low	Rating Manager	Agreed, consideration will be given to notifying individual Service Directors.	31/05/04

No	Finding and Recommendation	Priority	Responsible Officer	Management Response	Completion Date
8	<p>◆ It is acknowledged by Non-Domestic Rates staff that the filing system is badly in need of a review as many of the files are full beyond their capacity. It is also noted that much of the paperwork currently held may be out of date and that careful pruning of this of the files would result in a reduction of the paperwork currently held on file. Clear guidance notes require to be drawn up and given to staff to ensure that all relevant documentation (regardless of age) are retained and not archived or destroyed. Internal Audit have been advised that the introduction of a Data Imaging facility has been discussed. However no firm commitment has been received as to when this facility is likely to be made available.</p> <p>◆ On checking through the Non-Domestic Rating file on the Department of Social Work it was noted that a number of forms/documentation was still being held in respect of properties within East and West Lothian which go back the time of Lothian Regional Council. In addition, a number of forms/documentation was still being held in respect of properties within the City of Edinburgh for properties, which no longer exist, with at least one of these properties (Greenlea OPH) having been demolished.</p> <p><i>Although it is acknowledged that a review of some of the filing has commenced, Management should consider producing clear guidance notes with regard to the pruning of files and at an appropriate time, consider a full review of the current filing system.</i></p>	Medium	Rating Manager	Agreed, will partly be dealt with as outlined in response to point 1 above. Will also be dealt with by the introduction of Document Imaging.	30/11/03

No	Finding and Recommendation	Priority	Responsible Officer	Management Response	Completion Date
9	From the original sample of 40 properties a random sample of 22 properties was visited. From this sample it is noted that further investigation as to the status of three properties is required The information has already been sent by e-mail to the Rating Manager.	High	Rating Manager	Agreed	30/11/03
10	From the current forms it is noted that the designated area on the form does not provide adequate space for staff to annotate when the information has been input to the computer system. <i>Management should consider undertaking a review of all application and review forms to ensure that a designated area is included which will enable staff to sign and date the forms once the appropriate action has been taken.</i>	Medium	Rating Manager	Agreed	31/12/03
11	There is no independent review undertaken of completed review forms or vacant schedule forms. <i>Management should consider undertaking a sample review of review forms and vacant schedules being carried out by a person independent of the staff undertaking the computer input of information.</i>	Medium	Rating Manager	Agreed, will be considered as part of a Management Services review	31/05/04
12	Although information/documentation relating to rating relief is available, there is a lack of formal written procedural instructions to staff in the processing of reliefs and exceptions. <i>Management should consider formalising the information/documentation held into a procedures manual.</i>	Medium	Rating Manager	Agreed, will be considered.	31/03/04



## Appendix 2

## Action plan

Item	Findings and <i>recommendations</i>	Priority	Responsible officer	Management response	Completion date
1	<p>Detailed procedures</p> <p>Procedures specific to this system are insufficient.</p> <ul style="list-style-type: none"> <li>◆ When reviews of information are performed they are not always evidenced as such.</li> <li>◆ Guidance is needed on what to review and how. Some teams review payment details, other do not.</li> <li>◆ We found insufficient instruction on authorisation levels.</li> <li>◆ Timeframes and deadlines are inadequately defined and adhered to.</li> </ul> <p><i>Procedures should be drawn up to clarify and confirm:</i></p> <ul style="list-style-type: none"> <li>• review requirements;</li> <li>• the point at which a decision or an approval should be referred to a higher authority;</li> <li>• timeframes for the submission of payment information.</li> </ul> <p><i>These procedures should be formalised, documented and adhered to.</i></p>	High	Team Leader	<p>Team Leader to prepare guidance to reflect audit concerns and redraft current procedures to reflect comments of auditor.</p> <p>This is to be done in consultation with Service Manager for Fostering and Adoption and with Head of Business Support Services.</p>	31/07/04

Item	Findings and <i>recommendations</i>	Priority	Responsible officer	Management response	Completion date
2	<p>Softbox</p> <p>The carers payment software, Softbox, is not performing satisfactorily. It is slow, under utilised, its output is inadequate and there is much manual override involved.</p> <p><i>A review of the carers payment system is required as a matter of priority. This should focus on improving management control and information, reducing processing times and costs, and enhancing the service provided to carers.</i></p>	High	Manager, Business Systems/ Head of Business Services	<p>Copies of this report highlighting inadequacies of Softbox and improvements required will be submitted to responsible officers.</p> <p>There will always be a need to make manual payments but accounts payable does distinguish between fees and allowances.</p>	Not able to provide and subject to this being given priority by IT staff.
3	<p>Expense claims</p> <p>The system for claiming expenses lacks conformity and control:</p> <ul style="list-style-type: none"> <li>◆ different claimants and different social workers have different approaches,</li> <li>◆ carers do not always follow defined procedures,</li> <li>◆ expenses are not analytically reviewed.</li> </ul> <p><i>The guidance on claiming expenses should be reviewed and elaborated upon. Review procedures should be improved.</i></p>	High	Team Leader/ Service Manager	<p>The facility to claim is available to all carers but they have a choice to make a claim or not.</p> <p>Guidance will be reviewed.</p>	September 2004

Item	Findings and <i>recommendations</i>	Priority	Responsible officer	Management response	Completion date
4	<p>Claw back of overpayments</p> <p>Overpayments made on fees are followed up by the central admin team; overpayments on allowances are followed up by the practice teams. After 4 weeks the debt is passed to Accounts Receivable. We found that:</p> <ul style="list-style-type: none"> <li>◆ The 2 week follow up procedure is not strictly adhered to; one follow up letter had been sent out 7 weeks after the first;</li> <li>◆ This process is not evidenced as manager reviewed.</li> </ul> <p><i>For improved control, the collection process should either be centralised with the central admin team or, once a debt is recognised, passed directly to Accounts Receivable.</i></p>	Medium	Team Leader	Further discussions required with Team Leader at Social Work centres to address the inconsistencies in claw back and to suggest centralisation of overpayments of both fees and allowances.	September 2004
5	<p>Overpayment of allowances</p> <p>Allowances are routinely overpaid when:</p> <ul style="list-style-type: none"> <li>• a child goes to a respite carer, both carers receive the full maintenance allowance for the day;</li> <li>• a child leaves a carer late in the week, the week's allowance is still paid to the carer.</li> </ul> <p><i>Decisions should be made on what comprises best practice and guidance issued accordingly.</i></p>	Medium	Service Manager /Resource Development Managers	Further discussions required.	September 2004

Item	Findings and <i>recommendations</i>	Priority	Responsible officer	Management response	Completion date
6	<p>High paper usage</p> <p>Amount of paper generated, and associated time and costs, could be substantially reduced.</p> <ul style="list-style-type: none"> <li>• Many large reports are printed and circulated before payments are made. However, some teams do not review these reports (see 1 and 2 above).</li> <li>• Forms are faxed and sent to the central admin team for processing; they could just be faxed.</li> <li>• Payment details are sent in hard copy to Payments and Admin for processing.</li> </ul> <p><i>Whilst addressing the recommendations in 1 and 2 above, consideration should be given as to how to improve electronic transfer of information in order to reduce the amount of paper consumed.</i></p>	Medium	Team Leader	<p>Reports are printed and circulated only when payment run is authorised. June Knott will remind teams to review these reports.</p> <p>Agree forms will only be faxed.</p> <p>This procedure is Council policy.</p>	September 2004
7	<p>Evidence of input</p> <p>Change of circumstances forms and fee forms have been input by the central admin team they should be evidenced as such. However, although we found such evidence on many of these forms there were some which bore no indication that they had been input.</p> <p><i>To help ensure that all forms are evidenced as input, and to reduce the time required to carry out this procedure, it may be helpful to introduce a dated stamp.</i></p>	Low	Team Leader	Consideration will be given to this proposal.	ASAP