

2008/09 Audits

Report No 37- 2008/09 – Housing Investigation

In the opinion of the auditor the control assurance level is **minimal**

This review was carried out as an investigation due to the lack of internal controls identified as part of two follow up audits.

The audit has been given a minimal opinion due to the lack of controls within the system. As can be viewed in the report a number of actions are already in progress to rectify the situation and once these are fully implemented the auditor would expect the assurance level to rise. The Director of Health and Housing has prioritised this area with his staff and significant progress is being made. A follow up audit will be conducted in the future to ensure the new controls are working.

The housing register and homelessness assessment functions were returned to Housing from Russet homes early in 2008. There were steps taken to agree procedures for the recovery of debt resulting from this move however these were never fully progressed and as a result there has been some confusion over how the roles between Housing and Financial Services would be implemented to ensure sound debt recovery procedures were in place.

An initial audit was carried out prior to the service being returned in house in order to assist in identifying the areas where procedures would be required. A follow up to this audit was carried out in September 2008. During this follow up it became clear that there were a number of areas where there were ineffective internal controls or a lack of controls in place.

The Accountancy Section had also identified some concerns relating to the growing level of debt that had been identified in relation to rent deposits. Although monitoring of expenditure takes place the rising debt was hidden because for each amount paid out a corresponding invoice would be raised so the expenditure appeared neutral. It was only when a review was carried out of the age debt analysis report that it became clear that recovery action was negligible.

The rent deposit scheme is used to help client's secure rented accommodation where they cannot afford the deposit on the tenancy. The Council advances money to the client to pay the deposit on a privately rented property where they have no other means of raising the deposit. The client is then required to pay the advance back over a set period of time.

There will also be cases where the landlord also requires the rent for a property to be paid in advance and the rent deposit scheme has developed to make further advances to cover this cost as well. This amount is also repayable over an agreed period.

A further scheme uses deposit bonds where the Council guarantees an agreed amount of money to the landlord instead of actually handing over cash as an alternative to a deposit.

In November 2008 the Director of Finance offered to second the Audit Manager on a part time basis to assist in the resolution of the identified problems. The remit on this arrangement was for two purposes. Firstly, to offer guidance on new procedures and internal controls that should be in place and then to write an audit report to update on the previous audits and to inform the Audit Committee of the problems and actions that are being put into place to rectify the situation.

Russet Homes used to administer the bed & breakfast payments via their rent accounting system before the service came back in-house.

The earlier audit recommended that before the service came back in-house a system should be set up to determine how the Council were going to recharge bed & breakfast charges back to the clients. Most would be entitled to housing benefit but even so there is also an element of service charges such as breakfast which would not be eligible for housing benefit and would need to be recharged back to the client.

The Housing Section, together with Finance, Audit and IT did investigate the potential for developing a rent accounting system following the return of the service to Housing. It was decided that there would not be the need for a rent accounting system as the use of bed and breakfast was being minimised and that it was likely that there would only be one or two cases in bed & breakfast at any one time.

There were outstanding debts of about £12,000 transferred from Russet Homes to the Council in respect of old bed and breakfast recharges. However, the information relating to them was limited. There was also a reconciliation problem encountered by Accountancy where a small proportion of the debt could not be substantiated. For these old debts it was considered that recovery costs would be greater than any potential recovery.

Although Housing had decided not to develop a rent accounting system there were no alternative procedures agreed for collecting the bed and breakfast rechargeable elements. As a result customers were not being recharged. The bed and breakfast debts incurred since the service has been back in-house have now been raised, with the exception of three cases requiring further investigation.

There was also an amount of money paid to the Council from housing benefit relating to the old accounts that had not been allocated to the individuals that they were in relation to. This was because customers did not have accounts as per paragraph 3.4. This reconciliation has now taken place.

A procedure 'Deduction of Benefits at Source' has now been agreed and implemented to ensure this money is allocated to the accounts as early as possible.

R1 Review the procedure within six months to ensure that bed & breakfast debts are continually monitored and appropriate action has been taken. (Medium – Chief Housing Officer and Exchequer Services Manager)

Another problem identified with customers that were in bed & breakfast accommodation was that they had not always claimed housing benefit when they would have been entitled.

This has now been rectified. The Housing Section encourages customers to fill in and return a housing benefits claim form as soon as possible.

Where old debts for bed & breakfast have been invoiced and the customers had not filled in a housing benefit claim form they are being encouraged to do so as they may be entitled to some benefit for the time they spent in bed & breakfast as this can be backdated and therefore will reduce their debt to the Council.

During this review the Audit Commission's audit report on Benefits Subsidy was issued and had two recommendations that impact on the Housing section in relation to bed and breakfast charges.

Housing has been charging clients a set amount for bed and breakfast and this included a set amount for service charges. A fixed amount, less than the actual charges had been charged to ensure that bed and breakfast accommodation was affordable to the client whether they were in receipt of benefits or not. So the amount of benefits paid is this fixed amount.

The Audit Commission have stated that the true charges should be claimed for housing benefit. To implement this recommendation a breakdown of the costs is needed from every bed and breakfast provider that we use.

The Housing Section has asked the two main providers of bed and breakfast accommodation for a breakdown of the charges so that it clearly shows what is rent and what the amount for the service charges is. Both these providers have stated that they do not breakdown the costs in this way and therefore cannot provide this information in this situation. It is permissible to use a standard set of service charges as annually prescribed by the department for work and pensions hence the standard figure will have to be used.

During the course of writing this report the Principal Benefits Officer has sought detailed guidance from the DWP on the approach to be adopted. Initial advice is that the Council had been adopting acceptable practice. Written confirmation of this has been requested and has since been received.

The problem with charging the true cost of bed and breakfast is that it could then become unaffordable to clients not in receipt of housing benefits but the same amount must be charged to all clients. But to continue to charge a fixed rate less than the actual cost would go against the Audit Commissions recommendations.

The Audit Commission have also recommended that backdating of the above changes should be performed to 2007/08. Due to the work involved with this and the co-ordination between the two departments the Principal Benefits Officer has stated that it has not been possible to make these amendments to reflect the outcome in the 2008/09 claim. He has also stated these will be incorporated in the 2009/10 claim.

R2 Clarification to be sought from the Audit Commission on action required on acceptable treatment of these cases. (High – Principal Benefits Officer)

It was ascertained that since the service came back in-house there has been an increasing amount of rent deposit and rent in advance loans being processed. These advances are an important part of the housing team's options when dealing with clients who are threatened with homelessness.

Some of this increase was due to a positive decision to reduce the number of people in bed & breakfast accommodation. Bed & breakfast accommodation is used as a last option since the service came back in-house as it can be very disruptive to the affected families especially as most of the bed & breakfast accommodation available is located outside the borough in Medway, Maidstone, Flimwell and Eastbourne. In addition it is not considered to be the most cost effective solution when dealing with these clients.

There was an annual budget in place to cover new advances and other items of just £8K. Although monitoring of expenditure takes place, the rising debt was hidden because of each amount paid out a corresponding invoice would be raised so that the expenditure appeared neutral, the extent of this debt since 2005 to the audit in November 2008 had risen to an outstanding balance in excess of £150K.

As previously mentioned when an advance is made then a corresponding sundry debtors accounts is raised. The accounting principle is that the debt is treated as income at the time the debt is raised. Provision for bad debt is then made and is calculated at year end in respect of debt that is not likely to be recovered. Therefore the normal monthly budget reports would show the debtor accounts as a contra to the advances and therefore the balance would be zero after timing differences.

In reality the true balance is the advances made less any debt recovered. Outstanding debt reports from the sundry debtor system would show the true position of debt recovery and these will now be used to monitor the situation. In addition a bad debt provision will also be made.

Local Authorities receive Government Grants to support the homeless function. This Council received a grant of £41k that has been used to fund the homeless function. This grant was less than that awarded to neighbouring authorities. It is believed that other authorities have used this grant solely to fund rent deposit schemes. An additional grant was received from the CLG to top this grant up and this Council received a further £7.5k.

The Director of Health and Housing has managed to secure a one off grant from Supporting People of £60K. Some of this will be able to be used towards the rent deposit scheme although only in the cases of vulnerable clients moving on from Supported Housing schemes, and there are a number of criteria that have to be met to be able to allocate this money towards their advance. The Housing Section has also requested an increase in the grant they receive from the Department of Communities and Local Government to match the allocations awarded to other West Kent Districts. Although the initial request has been declined, the matter is being pursued.

R3 *The Director of Health and Housing should ensure that separate budgets are kept for different areas to enable effective budgetary control. (High – Director of Health and Housing and the Principal Accountant)*

The Director of Health & Housing has confirmed that the use of rent deposits is a far more cost effective and efficient use of resources than the use of bed and breakfast accommodation. However, the internal controls have been insufficient to ensure that risk is minimised.

When the Homelessness Service came back in-house in March 2008 the member of staff that was monitoring the debts relating to the deposit advances moved into a new job. The job of monitoring these debts fell to a new member of staff, who drafted new financial procedures. However, these were not agreed with Financial Services and were not fully implemented. This led to some misunderstanding of who should be taking action on debt recovery. This has had an adverse effect on the level of bad debt there is today.

The debt has since been investigated and there is a list of what debts there are and at what stage of recovery they are at. They are now being monitored by Housing and Exchequer and an agreed procedure for recovery has been implemented with Financial Services.

R4 *Ensure that debts continue to be monitored and that debt recovery action is taken in a timely manner. (High – Chief Housing Officer and Exchequer Services Manager)*

Another problem with the collection of debt is that not enough information was held or recorded on Integra for effective debt recovery by Financial Services. This is partially a failing of the Integra system that can be overcome by the use of the notepad facility. Phillips debt recovery agency have provided

advice on the kind of information that needs to be obtained and recorded from clients in order to help with effective debt recovery action.

R5 *Ensure that sufficient information is obtained from future clients and recorded on Integra to enable effective debt recovery. (High – Chief Housing Officer)*

The last Committee report in relation to this scheme was in November 2000. The Constitution states the Director of Health and Housing (DHH) may determine applications for rent in advance and deposit bonds in accordance with the policies adopted by the Council. Therefore the DHH does not have delegated authority to change the scheme without further approval by Members.

The scope of the individual schemes has developed to reflect changes in service delivery for homeless prevention, and these changes have not been reported to Management Team (MT) or Members.

There have been a number of bonds and deposit advances that have been issued which are beyond the parameters agreed by Members.

As the last report was in 2000, some aspects of the schemes are no longer viable and hence the schemes need to be revised and agreed at MT and Members.

The auditor looked at all the procedures in place at the time of the audit. The detail of these and the problems identified will follow later in the report. It was ascertained that frequently advances were being issued outside the scope of the policy. They were being treated as exceptional cases and were either above the prescribed cash limits or repayment period exceeded the scheme limits. These exceptions were not being authorised at a suitable level.

R6 *The Director of Health and Housing should ensure that when new schemes are designed these are reported on and agreed by MT and Committee. (High – Director of Health and Housing)*

R7 *The agreed scheme should include a provision for how future amendments to the scheme can be processed and how exceptional cases can be authorised. (Medium – Director of Health and Housing)*

These advances are issued to clients who have no other way of obtaining the money and who are usually either in debt, on benefits or very low incomes. Therefore there will always be a high level of risk that the advance may not be recovered.

Although there is this high level of risk in making these advances there are a number of improvements in safeguards and internal controls that can be put in place to minimise the risk to the Council. At the time of the audit there were not sufficient safeguards and internal controls in place.

Where tenants have damaged properties their entitlement to recover their deposit may be affected. Since April 2007, it has been compulsory for landlords to place any tenancy deposit into one of the deposit protection schemes. At the end of the tenancy, the landlord and tenant agree how the deposit should be divided, and the scheme administrator will return the deposit accordingly. In the case of damage by the tenant, the landlord will need to demonstrate a legitimate claim to retain some or all of the deposit. If there is any dispute, a dispute resolution service is provided.

R8 Any history of non-repayment of previous advances by clients should be considered if a future request is made. (Medium – Chief Housing Officer)

Historically, when new rent deposit advances have been agreed Housing have not always requested that the first payment is to be made within the first month of the tenancy for a number of reasons. In some cases this has been as long as three months. Historically, the longer initial recovery takes place then the longer and more costly recovery becomes.

R9 Ensure that first payments are requested straight away from the client. (Medium – Chief Housing Officer)

There were a number of advances identified where the repayment period far exceeded what was stated on the procedure notes as the maximum term to pay back an advance, 18 months. The longer the length of the loan the more unlikely it is to be collected in full.

R10 The new procedures to state that all advances should be paid back within 18 months, with an extension to a maximum of 24 months in exceptional circumstances. (High – Director of Health and Housing)

When an advance or bond is issued the landlord is asked for an inventory and the tenant is asked to check to ensure that the inventory is correct. No inspection of the inventory is performed by the Council to ensure that it is correct. The private sector housing team visit the property and make sure it is fit for habitation during this inspection they could also ensure that the inventory is correct in case a later claim is made against the Council.

During the course of this review this requirement has been included within the new procedures, and the private sector housing team will confirm the property condition/fixtures and fittings at the start of the tenancy in accordance with the inventory.

In cases considered as exceptional the upper limit for advances has been exceeded. This has led to some large loans being repayable over a long period of time to make them affordable to the clients.

Most of the clients applying for an advance are on benefits. Each month local housing allowances (LHA) rates for this borough are published there are three

different rates for this Borough depending on the area. These are the maximum that housing benefits will pay for rent within the three areas.

R11 Any cases treated as exceptional must be approved by the Chief Housing Officer. (High – Director of Health and Housing)

The auditor found one example where the size of the rental property was not limited to the housing need as stated in Housing Benefit legislation. This could have implications on families that were not claiming benefit at the time of the advance but then subsequently had to claim housing benefit as benefit would not be paid for the extra bedrooms.

This related to one case where a family were placed in a larger property than necessary due to personal circumstances and an explanation could be given for this.

There was also an example of where a second advance had been given before a previous advance had been fully repaid. Procedures have been put in place to prevent this from happening again.

The auditor found that rent deposit advances had been given to clients that already had large housing benefit overpayments outstanding.

R12 The Housing Options Officers must check that there are no debts owed to the Council against the clients before issuing an advance or a bond. (High – Chief Housing Officer)

The period of time the rent deposit advance or the rent advance covers has not been limited. This had led to some covering four weeks or a calendar months rent, some six weeks rent and some even longer.

Although the maximum amount stated in the procedure is four weeks or one months rent according to the rental liability, the amount of the loan is also dependent on market forces. If a landlord requests a payment of six weeks this would usually be accepted to secure the tenancy.

R13 A maximum amount of time that a deposit advance covers should be adhered to and the new procedures should contain provision for exceptions. (High – Chief Housing Officer)

A report was obtained from Integra to show the level of outstanding advances. Integra does not have a provision to support instalment plans. Therefore it was not easy to ascertain which clients were in line with their payment plans and the only way to do this was to go back to the original paper files.

The notes screen on the sales ledger will be used and a facility to put on the instalment plans has now been implemented and is expected to go live in April 09 with assistance from IT. This is important as although some clients are paying back their loans they are paying at a lower level than was agreed but at present recovery action does not begin unless payments cease.

R14 Ensure instalment information is input onto the sales ledger on the notes screen until the instalment facility is available on the sales ledger (High – Exchequer Services Manager and The Chief Housing Officer)

When problems were identified with the increasing level of debt relating to rent deposit advances the issue of these was stopped in the interim unless they were authorised by the DHH. However, it was noticed that the use of bonds continued until they were also stopped in the interim to allow for new procedures to be designed.

Although there is a potential liability for the Council with bonds they are still a safer option for the Council as initially no money changes hands. Due to the economic downturn landlords are now more likely to accept bonds and we now have landlords coming to the Council looking for tenants.

The use of bonds is preferred to the use of advances and the DHH has, since the audit, adopted a new policy and procedure to ensure these are promoted to potential landlords.

No time limit was being put on these bonds and therefore for each bond there is an indefinite potential liability to the Council. These should not be issued for longer than the length of the tenancy. The bond could be renewed if the tenancy is extended and there had been no problems with the tenant.

R15 Bonds should be issued for the fixed term of the tenancy and renewed where appropriate. (High – Director of Health and Housing)

Due to the potential liabilities relating to bonds they have accounting implications and a provision should be created for the potential financial liability. This is another reason to have a time limit put on each bond. Housing were not informing the accountancy section when bonds were issued.

The auditor asked to see a list of all the bonds that had been issued in order to determine the extent of the liability to the Council. However, this information was not readily available.

Housing checked their records, and provided a list of all bonds. It is also important that a master record of all rent deposit advances is kept up to date.

R16 Ensure that the list of bonds and advances is kept up to date and is available to Accountancy Section. (High – Chief Housing Officer)

In the past clients have not been asked to pay anything against the bonds issued. With rent deposit advances the clients pay back the advance over a set amount of time and therefore if they were to move properties they would then have an amount towards their deposit.

It is good practice to request the tenant to save towards the amount of the bond and pay amounts regularly to the landlord. This would allow them to build up their own deposit and therefore not depend on the Council. The landlord should be requested to keep us up to date on the amount paid to him and inform us at the financial year end and therefore this would reduce the amount of liability to the Council.

However, this is not enforceable and can only be achieved by agreement.

The files for advances and bonds were found to be incomplete. There was not a complete audit trail to follow.

The auditor compiled a list of what should be kept on file to ensure that there is a full audit trail and this has been passed to the Housing Section.

The following are the items that should be held on the files:

Copy of gas certificate.

Proof of financial eligibility.

Previous two addresses and references from previous landlords if applicable.

ID, DOB and NINO

Application form.

Proof that rent is affordable and no more than LHA.

A sheet showing that it has been checked that there is no outstanding debts to the Council, there is no fraud investigation and they have not got an outstanding deposit loan.

Proof of the property being inspected.

Detailed inventory.

Tenancy agreement.

Agreement (including agreement to housing benefit deductions if applicable).

Proof of being homeless or threatened with homelessness.

Proof of local connection to the borough.

Proof of the correct level of authorisation.

Proof, if applicable, that loan can be used out of the supporting people grant.

Copy of email to accountancy (if bond).

Proof of size of property.

Proof of priority need.

Details of reasons the case has been dealt with as an exception (If it is decided to allow them).

R17 Ensure that all the items are kept on files to ensure a complete audit trail. (High – Chief Housing Officer)

At the time of the review the risk register was dated January 2007. Risk registers should now be updated quarterly. The risk register did not include the risk of potential write offs relating to the rent deposit advance and bonds schemes.

Following the Freedom of Information Act there should be an up to date document retention policy. There is a Council wide policy being written but

there should also be a local one for Housing. This should include how long to keep the files for relating to the above schemes.

R18 Write a document retention policy for housing. (Low – Chief Housing Officer)

The auditor noticed that rent deposit advance and bond files were not always held securely. The cabinets inherited from Russet homes do not all have keys and cannot be locked.

As these files contain confidential personal information they need to be held securely.

R19 A clear desk policy should be introduced when away from desks and attempts to obtain keys for the filing cabinets should be made. (Medium – Chief Housing Officer)

All of the procedures are currently being amended/written. There has been a significant number of meetings and work already undertaken relating to these. There should be clear guidelines/procedure notes for staff, landlords and tenants.

R20 Ensure that the written procedures are finished and kept updated for staff, landlords and tenants. (High – Chief Housing Officer)

Rent deposit loans have been given out for properties out side of the Borough. The advantage of this is that the rent maybe more affordable but the disadvantage is that there is a reduced likelihood of recovering the loan as the tenant may move on without telling the Council. Some Councils allow properties to be outside the borough while others do not. This practice has been considered in a risk management context and is considered a suitable option for this Council however it does require formalising in the revised procedures.

R21 The Director of Health and Housing should make the decision if to let bonds and rent advances be for properties outside the borough. (low – Director of Health and Housing)

During the review different possibilities were looked into to help ensure that recovery of monies was more effective. One area that the Principal Benefits Officer suggested was possible was to make deductions from ongoing benefit. This can be done by agreement with the client.

R22 Agreement from clients should be sought to make deductions from ongoing benefits for future rent deposit advances. (Medium – Chief Housing Officer)

There is currently no declaration of interests file or code of conduct agreements for Housing staff. These should be used when a member of staff

has an interest in an application for an advance or a loan for example a member of their family or a friend.

R23 Create a declaration of interests file or code of conduct agreements to be retained in the Housing personal file. (Medium – Chief Housing Officer)

Although there are a lot of recommendations within this report significant progress been made towards rectifying all of the issues. There has been a working group set up and lots of meetings relating to all of the issues mentioned. During this time best practice examples have been sought from other authorities and work is ongoing to create good workable schemes for the future.

For extra assurance on the adequacy of the new schemes over the next three years this area is now a priority one on the audit plan and therefore will attract a yearly audit.

During the drafting of this report a further problem was discovered by the Auditor.

The Council had been issued with a bill in excess of £4k in relation to a tenant where the Council had acted as guarantor. The detail of this claim was not investigated as part of this review although it is understood that the Housing Section are querying it with the agent.

The Housing Section have identified that they have acted as guarantor on five separate occasions. Of those five, three tenancies have now ended including the one mentioned above for which the bill was received. So there are two current guarantees.

The main problem with these guarantees is that there is no upper limit therefore there are high possible, reputational and financial risks to the Council.

Permission for the Council to act as guarantor to tenants has never been sought from either Management Team or Members so therefore the Housing Section does not have authorisation to do so.

The Auditor obtained the files of the clients where the Council had acted as guarantor. It was ascertained that these were authorised by members of staff that have since left the Council's employment.

R24 Only housing options that have been authorised by Management Team and Members should be used for clients and therefore the Council should not be named as guarantor on tenancy agreements. (High – Director of Health and Housing)

R25 The Director of Health and Housing should investigate the remaining guarantees and decide a way forward to help protect the Council. (High – Director of Health and Housing)

Report No 41- 2008/09 – Building Control Fees

The audit brief was to audit the controls relating to Building Control Fees including ensuring there was correct charges, coding and collection of monies, update the system notes and to follow up any recommendations from the previous audit.

The audit opinion is **High**.

All of the review work resulted in positive outcomes and there were no recommendations arising from this audit.

Report No 43- 2008/09 – Sales Ledger (Debtors)

The audit brief was to audit the controls relating to sales ledger including ensuring that there were adequate procedures, monitoring and reconciliations and to update the system notes and to follow up any recommendations from the previous audit.

The audit opinion is **High**.

All of the review work resulted in positive outcomes and there were no recommendations arising from this audit.

Report No 46- 2008/09 – NNDR

The audit opinion is **Substantial**.

The audit brief stated to audit the controls relating to NNDR using the CIPFA matrices and to follow up any recommendations from the previous audit.

There were eleven recommendations made with regard to the tests on the CIPFA matrix and all the rest were found to be in order. The following is the detail.

Whilst there are up to date regulations and guidance received in the Section and passed on to the relevant staff the majority of the office procedures seen during the audit have not been reviewed for some time. It was also apparent that they were not all held under the same folder. It was felt by the auditor that a review of all procedures should be carried out and ascertained whether they cover all appropriate areas.

R1 Office procedure notes should be reviewed for all aspects of the administration of NNDR, cross referenced to any legislation or

guidance that may already be available. (Medium priority – Senior Revenue Officer)

R2 All procedure notes should be dated and reviewed annually even if there are no changes to them. (Medium priority – Senior Revenue Officer)

From the procedures available for new properties there was insufficient information regarding when inspections are carried out and how and when information is received from Planning and Building Control.

R3 The procedure for new properties should be reviewed and include more information about when inspections are carried out and how and when information is received. (Medium priority – Senior Revenue Officer)

The completion notice accompanied by the Business Rates Information leaflet contained all the relevant information with the exception of stating the law relating to the service of and appeals against completion notices.

R4 Update the Business Rates Information leaflet to include the law regarding completion notices. (Low priority – Senior Revenue Officer)

From a sample of ten accounts where liability has been reassessed two did not appear to have any supporting evidence.

R5 Remind staff that there should be adequate evidence available to support any reassessments. (Medium priority – Senior Revenue Officer)

All notifications sent to ratepayers should remind them that they are required to notify NNDR should a relief or exemption be incorrect or no longer valid. Only the Small Business Rate relief form had an appropriate warning about changes in circumstances.

R6 Ensure that all applications for reliefs or exemptions include a warning about changes in circumstances. (Medium priority – Senior Revenue Officer)

From a sample of five ratepayers that had made 'special arrangements to pay' (SUMAR) it was ascertained that the follow up of these had lapsed, in part because of the annual billing in February.

One of two of the ratepayers in the sample that have set up direct debits to pay off their debt arrangements and will take seven years to pay off their debt and the other eighteen months. There does not appear to be any independent authorisation procedure for SUMARs as the Senior NNDR Assistant solely deals with them. In addition any arrangements that take longer than a year to pay off should be authorised by a senior employee.

One of the ratepayers in the sample did not appear to have had their arrangement confirmed in writing.

- R7 Remind staff that SUMARs should be monitored on a regular basis to ensure that they are being followed and if not that further action is promptly taken. (Medium priority – Senior Revenue Officer)**
- R8 There should ideally be an independent authorisation procedure in place for SUMARs, including authorisation by a senior employee of arrangements that take longer than a year to pay off. (Medium priority – Senior Revenue Officer)**
- R9 Remind staff that all special arrangements to pay are confirmed to the ratepayer in writing. (Medium priority – Senior Revenue Officer)**

The service line agreement with the bailiff's has been previously seen by audit however it could not be located during this audit.

- R10 The SLA with the bailiffs should be located and passed to audit for examination. (Medium priority – Senior Revenue Officer)**

Four debts were randomly sampled, two under £1000 and two over £1000, they were all noted as been written off and had valid reasons however it was not clear what avenues of recovery had been pursued in all cases.

- R11 For completeness a note of the various avenues of recovery pursued should be recorded. (Low priority – Senior NNDR Assistant).**

Report No 47- 2008/09 – Arts Programme

The audit brief, was to audit the controls relating to the Arts Programme and create system notes. This is the first time this area has been audited therefore there are no previous recommendations to follow up on.

The audit opinion is **Substantial**.

There were four recommendations made with regard to the tests and all the rest were found to be in order. The following is the detail.

A copy of the 2008 festival contract was obtained, along with the Musical Associates (MA) event management plan and a listing of all payments made to MA. The Auditor firstly assessed the contract with MA. A point that has been picked up on is with regard to the payment aspect of the contract. Within the document, it states that firstly a deposit of £5000 + VAT is due as soon as the agreement is made. This should be followed by two additional payments

of £10,000 in May and July consecutively. From looking through Integra, the payment for £5000 was able to be found however the two £10,000 were included in the final payment figure and not made throughout the year as contracted. A check was also made of the 2007 payments. The same situation had occurred with these payments.

A check was then made of the reconciliation that is carried out once the festival is complete to ensure that these payments had been taken into consideration. A guaranteed sum of £25,000 is due to MA throughout the course of the year. This £25,000 should then be deducted from the figure that is due to MA after the festival has been completed. The reconciliation shows that the £5000 that was paid in line with the 2008 contract has not been taken into consideration. It therefore appears to the Auditor that we have paid MA £5000 more than what we had contracted to do. This should have been taken away from the reconciliation instead of included.

- R1 All payments should be made on time and in accordance with the contract terms.
(Priority – High. Responsible Officer – Leisure Services Manager for Development).**
- R2 Investigate the £5000 difference in the contract sum as to whether this should be included as part of the final payment to MA and take actions to recoup the funds if applicable.
(Priority – High. Responsible Officer – Leisure Services Manager for Development).**
- R3 Ensure that in the future the deposit plus any further payments made are excluded from the final payment to MA.
(Priority – High. Responsible Officer – Leisure Services Manager for Development).**

Further to this point, it is evident that the £5000 deposit for the 2008 payment was made to Musical Associates however, this has not been coded to the correct nominal code. It has been split between Tourism/Promotional Publications and Leisure Overheads and Temporary Staff.

- R4 All income/expenditure incurred in relation with the festival should be coded to the correct code: B41TJ-0000-47012
(Priority – Medium. Responsible Officer – Leisure Services Manager for Development).**

Report No 48- 2008/09 – Dog Warden Contract

The audit opinion was **High**.

The audit brief was to audit the controls relating to the Dog Warden Contract, create system notes and follow up the recommendations from the previous audit.

There were five recommendations made with regard to the tests and all the rest were found to be in order. The following is the detail relating to the recommendations.

Whilst carrying out testing it would have been useful if the debtor invoice recorded the stray dog record form number as this would result in a complete audit trail.

R1 Consider recording the stray dog form reference number on the debtor invoice. (Low – Head of Waste & Street Scene Services)

For each stray dog a form is completed, the form has 5 copies with a blue copy being kept by the administrative assistant. There are currently 3 types of these forms which are used to report either that a member of the public has taken a stray dog direct to the kennels, an out of hours form and a general form which is completed by the dog warden if they pick up a stray dog.

Whilst carrying out the testing on the invoices it was identified that there is no indication put on the blue dog forms that they have been paid, therefore if the contractor was to make a mistake and bill the council twice for the same dog it would not currently be identified within the current procedures. When the Administrative Assistant receives each monthly invoice she should check all of the details to the blue forms and initial the blue forms to show that they have been paid and also initial the invoice to show that all details have been checked and are correct. A check was made to ensure that no duplicate payments had been made during the current financial year from which none were identified.

R2 Ensure that the blue dog forms are initialled to show that they have been paid. (High – Head of Waste & Street Scene Services)

R3 Ensure that the monthly invoices are clearly marked that they have been checked and agreed. (High – Head of Waste & Street Scene Services)

R4 Ensure that all the stray dog documents and database are kept up to date. (High – Head of Waste & Street Scene Services)

Under the Environmental Protection Risk Register dated December 2008 there is a section regarding providing a dog warden service, however there is no mention of loss of income as a potential risk. Now that this service has been transferred to the waste and street scene service it should be included in their risk register and make reference to loss of income as a potential risk.

R5 The risk register should be updated to include loss of income as a potential risk. (Low – Head of Waste & Street Scene Services)

Report No 49- 2008/09 – Income Receipting

The audit opinion was **High**.

The audit brief was to audit the controls relating to Income Receipting, update the system notes and to follow up any recommendations from the previous audit.

There were no recommendations arising from the controls that were tested in this audit.

Report No 50- 2008/09 – LLC Cash Up

This audit was postponed until the year 2009/10

Report No 51- 2008/09 – Car Park Inspections/Street Nameplates

The audit opinion was **High**.

The audit brief was to ensure that there are adequate procedures to enable car park inspections and replacement of street nameplates to be carried out.

There were no recommendations arising from the controls that were tested in this audit.