

Item 8(a) Annex A

AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

HOUSING ACCOMMODATION AND ALLOWANCES 2014/15

March 2015





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Audit Control:

Closing meeting:	18 February 2015
Draft report:	11 March 2015
Management responses:	17 March 2015
Final report:	23 March 2015

Auditors:	Chief Internal Auditor Audit Manager Senior Auditor
Report Distribution:	
Draft Report	Head of Human Resources Director of People and Organisational Development Acting Director of Finance and Assets
Final Report as above plus:	Chief Fire Officer Chair, Bucks and Milton Keynes Fire Authority External Audit



1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **Reasonable** assurance can be provided that relevant risks are effectively identified, managed and controlled.

1.2 The overall audit assurance is made up of three supporting judgements:

- a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is reasonable. This relates to the extent to which relevant risks have been identified, monitored and managed.
- b) Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is reasonable.
- c) Our assurance on the adequacy of compliance with the existing control framework is reasonable.

1.3 The Guidance Note for Housing Accommodation and Allowances has recently been updated and is available to staff on the I-Drive. Employee Services staff are correctly working to the Guidance Note. The guidance specifies who can nominate staff to properties. An Accommodation Allowance is a monthly payment made to an employee working at a station operating under the Day Crewing Duty System where no accommodation is provided. A Housing Allowance is a payment made to employees working at Gerrards Cross only where the employee is nominated and allocated to occupy a specific London and Quadrant property.

1.4 In addition to the findings summarised below, we also found the following examples of good practice

- The Employee Services have been proactive in ensuring that only eligible employees are in receipt of allowances through regular checks with Station Managers.

1.5 Some areas for improvement were identified, however no high priority recommendations were raised.



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1.6 Recommendations summary:

In order to provide an assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within Housing Accommodation and Allowances.

Progress in implementing the management actions will be tracked and reported to the Overview & Audit Committee.

Business Objective	Risk	Findings		
		High	Medium	Low
Policies and Procedures	<ul style="list-style-type: none"> The guidance note for Housing Accommodation and Allowances is not comprehensive, up to date or approved. Employees are unaware of the details of the guidance note. 		2	
Allocation and Authorisation	<ul style="list-style-type: none"> Allocation of properties and authorisation of allowances is not in accordance with the guidance note. 		2	
Processing, Administration and Record Keeping	<ul style="list-style-type: none"> Notifications for allowances to be paid/ceased are not completed or processed in a timely manner. Notifications for allowances to be paid/ceased are not appropriately authorised An inadequate audit trail is maintained to support the allocations/payment of allowances Overpayments are not recovered 		1	
Management Information	<ul style="list-style-type: none"> Inadequate, or lack of, budgetary control results in budget over/under spends. Employees Services do not carry out the monthly internal audit of allowances in accordance with the guidance note, and discrepancies are not investigated. 			
TOTAL		0	5	0



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The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Head of Human Resources who has agreed all the findings and produced an action plan to implement them.

- 1.7 There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.

2. Background

- 2.1 The audit review of Housing Accommodation and Allowances formed part of the agreed audit programme for 2014/15. The review was carried out during January and February 2015.
- 2.2 The Housing Accommodation and Allowances area was categorised high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the system is to ensure that key controls are in place to ensure the correct allocation and payment of housing and accommodation allowances.
- 2.3 The objective of our audit was to evaluate the area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. A detailed summary of the scope of this review can be seen in Appendix A.
- 2.4 This area has not been audited previously.



3. Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Findings & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

High immediate action is required to ensure that the objectives for the area under review are met.

Medium action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.

Low action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
Key Area		Policies and Procedures			
1	There is an up to date Guidance Note for Housing Accommodation and Allowances that details the process for authorising nominations to accommodation.	<p>There is a Guidance Note for Housing Accommodation and Allowances that was recently updated. This was checked to expected controls for nominating, allocating and authorising staff to specific properties.</p> <p>The Guidance Note records that the Station Managers at Gerrards Cross, Beaconsfield and Buckingham are responsible for nominating staff to properties. However it does not detail how the Station Managers should authorise the allocation or who they should inform of the allocation to a house in Gerrards Cross, Beaconsfield or Buckingham.</p> <p>It was confirmed to Audit that the expectation is that the FB 6.10.3 is the</p>	Medium	<i>Guidance Note Housing Accommodation & Allowances will be reviewed to ensure it documents the process for nominating staff to properties and the process to inform Employee Services.</i>	<p>Who to be actioned by: Employee Relations Manager</p> <p>When to be actioned by: 30/04/15</p>



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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
		<p>authorising document for allocation to a property as well as authorising payment of housing or accommodation allowance.</p> <p>There is a risk that in the event of a dispute the service cannot demonstrate an open and transparent process.</p>			
2	The Guidance Note for Housing Accommodation and Allowances clearly sets out responsibilities.	<p>The Guidance Note for Housing Accommodation and Allowances was examined to ensure it was clear and understandable.</p> <p>It was found that there were a couple of areas where the text was unclear (section 4 page 4).</p> <p>There is a risk that in the event of a dispute the service cannot demonstrate an open and transparent process.</p>	Medium	<i>The Guidance Note Housing Accommodation & Allowances will be reviewed to ensure that it is comprehensible.</i>	<p>Who to be actioned by: <i>Employee Relations Manager</i></p> <p>When to be actioned by: <i>30/04/15</i></p>
Key Area		Allocation and Authorisation			
3	A list is maintained of all properties where BMKFA have accommodation rights.	<p>The Guidance Note for Housing Accommodation and Allowances section 6 page 7 states that 'The Employee Service and Payroll Team Leader will maintain and update a spreadsheet list of all properties where BMKFA have rights. This list is split into the private and BMKFA properties'.</p> <p>During the audit it was evident that a central record of all properties and occupants is not maintained by the Employee Service and</p>	Medium	<i>The Employee Service and Payroll Team Leader have now compiled a list of all properties where BMKFA have rights. This list is split into the private and BMKFA properties.</i>	Action completed



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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
		<p>Payroll Team. However they were able to provide separate details of the properties.</p> <p>There is a risk that properties where BMKFA have rights are not recorded and therefore unable to ensure they are fully occupied.</p>			
4	Occupancy agreements are in place for all properties.	<p>The Guidance Note for Housing Accommodation and Allowances section 6 page 7 states that: 'Occupancy agreements for the two properties at Buckingham will be prepared and issued by the property team after being notified by the nominating officer. Once the signed copy of the agreement is received by property a copy will be forwarded to HR to be placed in PRF'. Also in section 6 page 7: 'A copy of occupancy / tenancy agreements for any property that has been nominated by BMKFA from L&Q will be sent to the Employee Service and Payroll Team Leader. All occupancy / tenancy agreements for any property that has been nominated will be placed and held on file in an individual's PRF'.</p> <p>From a sample of allocated properties the personnel file for the occupant was reviewed to ensure that an occupancy agreement was on file. It was found that two personnel files did not hold an occupancy</p>	Medium	<p><i>Employee Services will continue to chase L&Q to ensure that occupancy/tenancy agreements are in place for all properties. This will be placed in personnel file when received.</i></p> <p><i>For Bourton Road, Buckingham a copy of the Occupancy Agreement will be obtained from Property and placed in the personnel file.</i></p>	<p>Who to be actioned by: <i>Senior Administrator, Employee Services</i></p> <p>When to be actioned by: <i>30/04/15</i></p>



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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
		<p>agreement: Skelton Close, Beaconsfield and Bourton Road, Buckingham. Employee Services are chasing L&Q for the Skelton Close, Beaconsfield agreement. BMKFA Property Services hold a copy of the occupancy agreement for Bourton Road, Buckingham but a copy is not held in personnel file.</p> <p>If occupancy agreements are not held there is a risk that in the event of a dispute the relevant supporting documents are not available.</p>			
Key Area		Processing, Administration and Record Keeping			
5	<p>There is a process with deadlines and adequate authorisation for notifying Employee Services of new and ceased allowances.</p>	<p>The Guidance Note for Housing Accommodation and Allowances section 6 page 7 states that: 'Station Commanders are the nominated officer for each DC Station and are responsible for raising the FB 6.10.3 to inform of any payments of Allowances to be made. Group Managers responsible for areas are responsible for authorising the 6.10.3 by signature'.</p> <p>A sample of employees in receipt of accommodation or housing allowance was taken. Their personnel files were checked to ensure authorisation for the allowance was in line with the Guidance Note and it was found that all had been authorised appropriately.</p>	Medium	<p><i>The authorised FB6.10.3 has been received for the relevant employee to receive housing allowance.</i></p>	Action completed



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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
		<p>A further sample was taken from a list of properties and it was found that for one property at Neal Close, Gerrards Cross the employee was not in receipt of Housing Allowance when he should have been. No allowance has been paid as the FB6.10.3 had not been submitted. This has been picked up by Employee Services and an authorised copy of FB6.10.3 requested.</p> <p>There is a risk that an employee does not receive all due allowances that may result in large back payments that could affect the budget.</p>			

Appendix A

AUDIT SCOPE AND FRAMEWORK

4. Specific Audit Scope

- 4.1 We have evaluated the area against the following identified risks which we agreed with management:

- | |
|---|
| <ul style="list-style-type: none">• Policies and Procedures• Allocation and Authorisation• Processing, Administration and Record Keeping• Management Information |
|---|

- 4.2 Following preliminary risk assessments, the following processes were not included within the scope of this review and will be considered for inclusion within future audits of the area:

- | |
|--|
| <ul style="list-style-type: none">• None |
|--|

5. Staff Interviewed

- Kerry McCafferty, Head of Human Resources
- Carly Humphrey, Employee Services and Payroll Team Leader
- Conor Avery, Senior Administrator, Employee Services

6. Audit Methodology and Opinions

- a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.
- b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.
- c. Each audit will result in an overall ‘audit assurance’. A detailed summary will be provided to the Overview and Audit Committee for all ‘limited’ assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system’s risks will be mitigated.	Most controls are in place to give assurance that the system’s key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

- d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.