

COMMITTEE: AUDIT AND GOVERNANCE

DATE: 14 MARCH 2012

SUBJECT: INTERNAL AUDIT PLAN UPDATE

REPORT BY: AUDIT MANAGER

CONTACT OFFICER: BEV HANNAH

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IMPLICATIONS:

LEGAL

COMMUNITY

SAFETY

EQUALITIES

ENVIRONMENT

FINANCIAL

RISKS

STAFFING

OTHER

WARDS AFFECTED: NONE

PURPOSE

1. To update the Audit and Governance Committee on the work of the Internal Audit Service.

RECOMMENDATIONS

2. The Committee is recommended to:
 - (i) receive the Internal Audit Plan update report, which covers the period April to 31 January 2012.
 - (ii) request the Audit Manager to report the follow-up of Rent Deposit Scheme to the September 2012 meeting of this Committee.

BACKGROUND

3. The Council has a statutory responsibility under the Accounts and Audit Regulations 2006 to maintain an effective internal audit of its activities. Internal Audit is an important element of the Council's risk management arrangements, in terms of the work that it undertakes in evaluating and reporting upon the control environment across the Council. The Accounts and Audit Regulations 2006 also require that the Council shall be responsible for ensuring the financial management of the Council is

adequate and effective and that the Council has sound systems of internal control that facilitate the effective exercise of the Council's functions.

REPORT

4. We continue to audit in line with our annual plan. Progress had been slower than anticipated during the first half of the year although productivity against the plan has now increased. A list of the audits we have completed between April and 31 January 2012 is attached at Appendix A.
5. Performance indicators are included at Appendix B and reflect the continued hard work of audit staff. We have issued 65 Audit Reports in the year to date, which is a significant increase from the 36 which had been issued to mid November. Our sickness levels continue to be below the Council average and since April 2011 the Audit team have only recorded sickness of 7 days between them.
6. The performance Indicators show that we have completed 870 productive days compared to the 1,000 which should have been completed to 31 January. This equates to 87% of the plan over the given timeframe.
7. At the conclusion of an Audit we issue a Post Audit Questionnaire to the service managers which enables us to ascertain their opinion of the service we provide. We have issued 48 Post Audit Questionnaires and of these 38 have been returned to date. An analysis of these identifies that we are achieving an average score of 89.7/100 which indicates we continue to provide a "Good" service.
8. Attached at Appendix C is a list of the final reports we have issued during the year along with our opinion on the current standard of internal controls.
9. We continue to follow up on all recommendations. A summary of the follow up of High priority recommendations is included at Appendix D whilst a summary of all other recommendations followed up is at Appendix E. 43 of the 52 High priority recommendations made have been either partially or fully implemented. We have followed up a further 425 other recommendations, of which 335 (79% have been fully implemented).
10. Of the 65 final reports issued between 1 April and 31 January 2012, five have recorded an opinion of Limited Assurance on controls. We gave an opinion of Limited assurance in our audit of the Rent Deposit scheme, the details of which are in the following paragraph. The audit of Dallow Primary School was reported to this Committee in September and was followed up in January 2012. The findings from this work are included in the following section of this report. Follow up work has also been done on the audits of School Meal Reconciliations, School Meals in Schools and Leases/Rentals of Equipment in Schools which all received an opinion of Limited Assurance. The findings from this work are presented in a separate report.

Rent Deposit Scheme

11. We completed a review of the Rent Deposit Scheme, which is in place to assist members of the public who are homeless, or at risk of becoming homeless. The objective of the review was to ensure that the Rent Deposit Scheme was being administered and operating effectively, in accordance with approved criteria.
12. Significant weaknesses were highlighted within the procedures for recovering rent deposits. The total value of deposits issued in 2010/11 was c£114k, of which only £3.6k was recovered. It is acknowledged that it is not feasible to expect all applicants to be able to repay their deposits, and that due to limited staffing resources, it is not possible to chase repayment from all applicants. Instead, management had intended to use limited staffing resources to target applicants who are more likely to be able to make repayments. However at present, there is no facility or mechanism in place which allows the Service to easily identify applicants who should be subject to debt recovery procedures.
13. As of April 2011, the Service had planned and agreed to raise all rent deposit debts through the Council's Debtors team, who would be responsible for chasing the debts by enforcing the Council's corporate debt recovery procedures. No evidence was seen to suggest that this procedure is in operation. Furthermore, it appears that at present, no debt recovery procedures of any kind are in operation, and that any monies repaid are instigated by the applicant.
14. Weaknesses were also highlighted within the recording systems. At present, deposits issued and repayments received are recorded within an Excel spreadsheet which, as this requires manual input, is reliant on staff keeping this up to date. Review of the spreadsheet highlighted some errors and inaccuracies. It was also highlighted that at present, no reconciliation is performed between the spreadsheet and the General Ledger and/or IBS, to verify its accuracy and to identify any errors. Inaccuracies within the monitoring spreadsheet may impact upon the Services ability to perform precise background checks and monitor performance of the scheme (i.e. to identify applicants who had previously received a deposit).
15. Internal Audit recognise that the Rent Deposit Scheme is a tool which can potentially prevent the Council from incurring future housing costs, however, at present there appears to be a lack of internal control to ensure that the Service achieves its objectives, and to measure performance against these. There is a risk that if recovery procedures do not improve, the scheme may not be financially viable should the Service budget come under any additional strain.

16. As a result of the work we undertook it was our opinion that in respect of the areas covered by this review, we can provide Limited Assurance on the current standard of internal control.

Dallow Primary School Follow up

17. We have completed a follow up review of Dallow Primary School following the audit of the School in June 2011 in which an opinion of Limited Assurance was given on the financial controls in place at the School.
18. The school has made significant progress and of the 27 recommendations made in the June 2011 audit review, 18 were found to have been fully implemented and work is in progress on a further 8. Only 1 recommendation currently remains outstanding. There were no High priority recommendations made.
19. As a result of the follow up review we made 10 further additional recommendations (6 medium priority and 4 low) to further strengthen the financial controls in place. This included reviewing procedures for lettings undertaken at the school, improvement of Governors minutes to reflect discussion and decisions made, ensuring that all Governors report any conflicts of interest annually and setting up a process for Governors to adopt the Financial Regulations for Schools and Scheme for Financing and subsequent revisions to these documents.
20. It is our opinion that in respect of the areas covered by our follow up report we can now provide an opinion of Adequate Assurance on the current standards of internal control.

RISK IMPLICATIONS

21. There are no risk implications to this report other than those set out in the body of the report.

FINANCIAL IMPLICATIONS

22. There are financial risks relating to the lack of implementation of the audit recommendations relating to school meals and leases/rentals of equipment in schools. This has been agreed with the Head Finance on the 29th February 2012.

LEGAL IMPLICATIONS

23. There are no direct legal implications to this report save for those set out in the body of the report. This has been agreed with the Head of HR & Monitoring Officer on the 1st March 2012.

APPENDICES

24. The following appendices are attached to this report:-

- Appendix A - Progress against Audit Plan
- Appendix B - Performance Indicators
- Appendix C - List of final reports issued April to 31 January 2012
- Appendix D - Monitoring of High Priority Audit recommendations
- Appendix E - Implementation of Audit Recommendations

LIST OF BACKGROUND PAPERS
LOCAL GOVERNMENT ACT 1972, SECTION 100D

1. The Accounts and Audit Regulations 2006.
2. The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
3. Internal Audit Reports

PROGRESS AGAINST PLAN

Report Status:
 F=Final
 D=Draft
 C=Complete (no
 report required)

	Actual	Plan	
Chief Executives			
Electoral Registration	9.98	10.00	C
Community safety & civil protection	1.43	10.00	
Data Quality Review	11.85	20.00	
Pitney Bowes Contract	9.65	10.00	F
	32.91	50.00	
Customer & Corporate Services			
Cashiers Functions	2.23	0.00	F
IM Audits	0.41	0.00	
Main Accounting	4.32	10.00	
Payroll	2.48	10.00	
Sundry debtors	14.04	10.00	
Accounts Payable	8.46	10.00	F
Central procurement unit	2.47	10.00	
Treasury Management	8.32	10.00	F
Duplicate Payments	11.45	12.00	F
Budgetary control	9.71	10.00	
Fixed Assets	2.09	10.00	
Property Services	8.40	10.00	
Investment Properties	7.96	15.00	
Capital Development	0.34	10.00	
The Mall Head Rent 2010	10.35	10.00	F
Housing Benefits	20.19	20.00	F
Council Tax/NNDR	20.09	20.00	
Data Management	1.19	10.00	
Phoenix Licensing	0.20	10.00	
Bank Rec	5.50	10.00	F
Audits not Commenced		28.00	
	140.20	235.00	
Housing & Community Living			
IBS Automated Systems	11.63	0.00	
Personalisation/RAS	4.22	0.00	
Adult Education	12.85	15.00	
Purchasing & QA Team	0.61	10.00	
Building Works/Property maint	14.98	15.00	F
Sheltered Accommodation	15.27	15.00	F
Service Charges	0.27	0.00	
Dwelling Rents	2.35	10.00	
Rent Deposit Scheme	10.97	10.00	F

Purchase of home care	1.18	10.00	
Community Day Centres	14.03	10.00	F
Direct Payments	10.51	10.00	F
Temporary Accommodation	1.44	10.00	
Audits not Commenced		10.00	
	100.31	125.00	
Children & Learning			
Schools Payroll	2.35	0.00	F
Beechwood Primary	0.27	0.00	
Schools Audit Work	8.49	13.00	
Leases/Rentals	20.80	20.00	F
Children's centres	17.75	20.00	
Teachers Pensions Agency	23.88	25.00	F
Foster Care	14.79	20.00	F
Fairway	0.20	10.00	
School Meals	9.72	10.00	F
Dallow Primary School	6.46	7.00	F
Sundon Park Junior School	4.81	5.00	F
Warden Hill Infant School	5.03	5.00	F
Warden Hill Junior School	4.66	5.00	F
Whitefield Primary School	4.09	5.00	F
William Austin Infant School	5.10	5.00	F
William Austin Junior School	4.46	5.00	F
Denbigh Primary School	7.41	7.50	F
Foxdell Junior School	4.34	5.00	F
St Josephs Infant School	5.05	5.00	F
St Josephs Junior School	4.76	5.00	F
Wenlock Junior School	4.06	5.00	F
Putteridge High School	12.36	12.50	F
Hillborough Junior School	4.99	5.00	F
Ferrars Infant School	4.37	5.00	F
Ferrars Junior School	4.17	5.00	F
Farley Junior School	4.43	5.00	F
Schools Financial Value Standard	4.92	5.00	
Nursery School Budgets	1.18	15.00	
Audits not Commenced		40.00	
	194.91	275.00	
Environment & Regeneration			
EPP Certification & Year End Review	1.04	0.00	F
Parking Services	0.33	0.00	F
Licensing	8.05	0.00	F
Cleansing	0.89	10.00	
Parks/Ground Maintenance	19.79	20.00	F
Highways Maintenance Contract	15.92	15.00	F
Parking Appeals/Residents Parking	12.87	13.00	
Bus Operators Grant	4.72	5.00	F
Statements of Grant Usage	0.07	0.00	
Business and Economy	0.84	7.00	

Cems & Crem	9.87	10.00	F
Butterfield Management Contract	5.49	5.00	F
Audits not Commenced		5.00	
	79.87	90.00	
Risk Management			
Corporate Risk Registers	19.68	20.00	F
	19.68	20.00	
Information Management			
Information Governance	0.74	0.00	
Disaster Recovery	0.59	0.00	F
	1.33	0.00	
Contract Audit			
School Contracts	5.08	0.00	F
Contract Audits	1.89	20.00	
Schools Contracts	0.20	10.00	
PVI's	0.08	0.00	
Supported Living Tender	23.13	30.00	
	30.38	60.00	
Special Investigations			
Special Investigations	0.84	15.00	
BTS Sub-Contractors	14.15	15.00	
	14.99	30.00	
Value for Money			
Value for Money Review	10.10	15.00	
	10.10	15.00	
Consultancy & Advice			
Consultancy & Advice	20.40	15.00	
Follow up Reviews	10.41	10.00	
Officers Expenses Follow Up	0.27	5.00	
Cash Handling Day Centres Follow Up	5.07	5.00	F
School Meals Follow Up	4.99	5.00	F
Maidenhall Primary Follow Up	4.31	5.00	F
Denbigh High TPA	1.42	2.00	F
School Meals Reconciliation	2.76	3.00	
Dallow Primary Follow Up	4.10	5.00	F
Registration Service	9.24	10.00	F
	62.96	65.00	
Active Luton			
Audits as required	28.09	30.00	F
	28.09	30.00	
Culture Trust			
Audits as required	31.33	30.00	
	31.33	30.00	

Planning & Reporting			
Planning & Reporting	41.94	40.00	
	41.94	40.00	
London Luton Airport			
London Luton Airport	19.02	20.00	F
	19.02	20.00	
Corporate Assurance			
Post Restructure Review of Controls	0.52	25.00	
Annual governance statement	17.28	18.00	F
NFI	34.27	50.00	
Working Groups	6.54	5.00	
Quarterly Governance Statement - June	1.98	2.00	F
Quarterly Governance Statement - Sept	2.07	5.00	
Audits not Commenced		5.00	
	62.67	115.00	
TOTAL	870.69	1200	

PI Summary - for the Period 1 April to 31 Jan 2012

PERFORMANCE INDICATOR	TOTAL (to 31 Jan)	ANNUAL TARGET
<i>Reporting</i>		
Number of Audit Reports Issued	65	n/a
Percentage of draft audit reports which have been issued to clients within 10 working days of the conclusion of the audit.	95%	95%
Percentage of final audit reports which have been issued to clients within 10 working days from the agreement of the draft report.	90%	98%
Percentage of audit recommendations that have been accepted	100%	98%
<i>Performance</i>		
Percentage of planned days completed	87%	90%
Percentage of productive time compared to total days	66%	65%
Percentage of audits completed within budget	94%	90%
Sickness absence as a percentage of total days	0.4%	4%
<i>Post Audit Questionnaires</i>		
Total Post Audit Questionnaires Issued	48	
Total Returned	38	
Average Score	89.7	
No of Poor (<i>rating of 1 - 50</i>)	0	
No of Satisfactory (<i>rating of 51 - 65</i>)	2	
No of Good (<i>rating of 66 - 90</i>)	13	
No of Excellent (<i>rating of 91 - 100</i>)	23	

List of final reports issued from 01 April 2011 to 31 January 2012**2010/11 Audits B/F**

Audit	Opinion
Customer & Corporate Services	
Cashier Functions	Substantial
Disaster Recovery	Adequate
Environment & Regeneration	
Licensing	Adequate
Parking Services	Adequate
EPP End of Year Review	Substantial
Children & Learning	
School Contracts	Adequate
School Payroll	Substantial
Active Luton SLA Work	
Safer Recruitment	n/a

2011/12 Audits

Chief Executives	
Pitney Bowes Contract	Adequate
Customer & Corporate Services	
Bank Rec	Substantial
Treasury Management	Substantial
Duplicate Payments	Substantial
Housing Benefits	Adequate
Cash Handling Day Centres F/Up	Adequate
The Mall Head Rent 2010	n/a
Children & Learning	
Denbigh Primary School	Substantial
Dallow Primary School	Limited
Ferrars Infant	Substantial
Ferrars Junior	Substantial
Foxdell Junior	Substantial
Farley Junior	Adequate
Hillborough Junior	Substantial
Putteridge High School	Adequate
St Josephs Infant	Adequate
St Josephs Junior	Substantial

Sundon Park Junior	Adequate
Warden Hill Infant	Adequate
Warden Hill Junior	Adequate
Whitefield Primary	Adequate
William Austin Infant	Adequate
William Austin Junior	Adequate
Wenlock Junior	Substantial
Leases / Rentals	Limited
School Meals (at schools)	Limited
School Meals (LLRC) Follow Up	Limited
Maidenhall Primary Follow Up	Substantial
Dallow Primary Follow Up	Adequate
Denbigh High School TPA	Substantial
Teachers Pension Agency	
Ashcroft High School	Substantial
Stopsley High School	Substantial
Lea Manor High School	Substantial
Icknield High School	Substantial
Cheynes Infant School	Adequate
Lealands High School	Substantial
TPA Part A	Substantial
TPA TR17 Claim	Substantial
Housing & Community Living	
Building Works / Property Maintenance	Adequate
Sheltered Accommodation	Adequate
Rent Deposit Scheme	Limited
Community Day Centres	Adequate
Environment & Regeneration	
Parks/Grounds Maintenance	Adequate
Highways Maintenance Contract	Adequate
Cems & Crems	Adequate
Bus Operators Grant 2010/11 year end	n/a
Bus Operators Grant 2011/12 Mid-year	n/a
Butterfield Management Contract	Substantial
Risk Management	
Corporate Risk Registers	Adequate
London Luton Airport	
Concession Fee	Substantial
Active Luton SLA Work	
Audits x 3	n/a

Cultural Trust

Audits x 2

n/a

Corporate Assurance

Annual Governance Statement

Adequate

Quarterly Governance Statement -
June

Adequate

Monitoring of High Risk Audit Recommendations

Audit	Date of Report	Date of expected completion for all High Risk Recs	Number of High Priority Audit Recommendations Raised	IMPLEMENTATION STATUS as at: 31 Jan 31			Comments
				FULLY	PARTLY / ONGOING	NO PROGRESS MADE	
<u>2010/11 Audits</u>							
Partnerships Monitoring	29-Sep-10	31-Dec-10	1	0	1	0	Recommendation not yet fully implemented as awaiting completion of restructure.
Cash Handling - Day Centres	20-Dec-10	31-Mar-11	13	13	0	0	Complete
School Meals Follow Up	07-Jan-11	28-Feb-11	1	0	0	1	Subsequent physical follow up undertaken (see below)
Maidenhall Primary	10-Dec-10	31-Mar-11	3	3	0	0	Complete
WTS - Contract Payments	11-Oct-10	31-Dec-10	6	6	0	0	Complete
Payment of Waste Management Invoices	16-Oct-10	31-Mar-11	6	6	0	0	Complete
Woodlands Secondary	07-Jan-11	31-Jan-11	1	1	0	0	Complete
Waulud Primary	16-Feb-11	31-May-11	1	1	0	0	Complete
Emergency Planning	23-Feb-11	30-Apr-11	1	1	0	0	Complete
The Meads Primary School	15-Mar-11	May 11x 3 Sept 11 x 2	5	3	2	0	No further work required
<u>2011/12 Audits</u>							
Disaster Recovery	12-May-11	30-Sep-11	1	0	0	1	Follow-up ongoing
Licensing	30-Aug-11	30-Nov-11	1	0	0	1	Follow up due Feb 2012
Dallow Primary	13-Jul-11	31-Dec-11	5	4	1	0	No further work required
Leases / Rentals	06-Sep-11	30-Nov-11	1	1	0	0	Complete
School Meals (at Schools)	21-Oct-11	31-Dec-11	3	0	0	3	Follow up due
School Meals (LLRC)	21-Oct-11	31-Dec-11	1	0	0	1	Follow up due in April
Annual Governance Statement	31-01-12	31-03-12	2	0	0	2	Not yet due for follow up
			52	39	4	9	

Implementation of Audit Recommendations

Report			Implementation Status as at			Comments
Audit	Date of Report	Total Recommendations Raised	31 Jan-12			
			Fully Implemented	Partly Implemented	Not Implemented	
Museums Risk Audit	16-Apr-10	2	2	0	0	
Hat Factory Income	23-Sep-10	3	2	1	0	
Partnerships	29-Sep-10	8	1	5	2	
Cash Handling (establishments) - day centres	20-Dec-10	15	15	0	0	
School Meals Follow Up	07-Jan-11	1	0	1	0	
Maidenhall Primary	10-Dec-10	19	17	2	0	
WTS - Contract Payments	11-Oct-10	13	10	3	0	
Icknield Primary School Audit	12-Oct-10	2	2	0	0	
Wigmore Primary	16-Oct-10	15	13	2	0	
Payment of Waste Management Invoices	16-Oct-10	6	6	0	0	
Bushmead Primary Audit	28-Oct-10	7	7	0	0	
Expense Claims non-salary	28-Oct-10	5	5	0	0	
St Matthews Primary School Audit	09-Nov-10	7	5	2	0	
Lealands Follow Up	11-Nov-10	8	8	0	0	
Sacred Heart Primary	11-Nov-10	8	6	2	0	
Beech Hill Primary	12-Nov-10	3	3	0	0	
Butterfield Management Contract	18-Nov-10	6	3	0	3	
Choice Based Lettings	26-Nov-10	12	8	4	0	
Leagrave Primary	01-Dec-10	9	9	0	0	
Community Centres	01-Dec-10	8	8	0	0	
Safer Recruitment - Icknield	08-Dec-10	6	6	0	0	
Chantry Primary	09-Dec-10	12	9	1	2	

APPENDIX E

Ramridge Primary	14-Dec-10	10	4	4	2
Safer Recruitment - The Meads	15-Dec-10	8	4	3	1
Cheyne's Infants	20-Dec-10	6	5	0	1
Surrey Street Primary	14-Jan-11	19	14	4	1
Tennyson Rd	27-Jan-11	19	15	2	2
Duplicate Payments	07-Feb-11	4	4	0	0
St Martin de Porres	07-Feb-11	7	6	1	0
Waulud Primary	16-Feb-11	18	13	4	1
Stopsley Primary	10-Feb-11	15	15	0	0
Southfield Primary	17-Feb-11	4	4	0	0
Emergency Planning	23-Feb-11	4	3	1	0
WTS Review of computerised systems	25-Feb-11	5	5	0	0
Crawley Green Infant	01-Mar-11	15	15	0	0
Norton Rd Primary	03-Mar-11	5	5	0	0
The Meads Primary School	15-Mar-11	13	8	4	1
Budgetary Control	14-Mar-11	3	2	0	1
Bank Reconciliation	15-Mar-11	2	2	0	0
Treasury Management	09-Mar-11	1	1	0	0
Beechwood Primary	19-Mar-11	6	6	0	0
Active Luton Cash Collection	29-Mar-11	13	10	2	1
Active Luton Payroll follow up	29-Mar-11	8	7	1	0
School Contracts	17-Jun-11	21	13	2	6
Parking Services	5-Apr-11	7	1	6	0
School Payroll	01-Jun-11	3	3	0	0
Pitney Bowes Contract	23-Jun-11	1	1	0	0
Dallow Primary School F/up	13-Jul-11	22	14	7	1
Leases/Rental	06-Sep-11	11	10	0	1

		425	335	64	26
Summary					
Total Recommendations Raised	425				
% Fully Implemented	79%				
% Partly Implemented	15%				
% Not Implemented	6%				