

**COMMITTEE: AUDIT AND GOVERNANCE**

**DATE: 9<sup>th</sup> DECEMBER 2008**

**SUBJECT: INTERNAL AUDIT PLAN UPDATE**

**REPORT BY: HEAD OF AUDIT**

**CONTACT OFFICER: DAVID GOWING**

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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 asked to receive the internal audit plan update report which covers the period April to 16 November 2008.**

**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** Since the last update the main areas of audit are:-

- Assurance Audits
  - Core assurance audits
  - BVPI – completion
  - BTS – stock control and income
  - Schools Audits inc. FMSiS
- Consultancy and Advice
  - NFI
  - The Mall – accounts.
- Special Investigations
  - BTS / CAM
- Risk Management
  - Service risk workshop and audits
- Value for Money
  - HR Review
  - IM Review
- IM Audits
  - Disaster Recovery
- Contract Audits
  - BTS Contract procedures
  - Building Schools for the Future
- External Work
  - Active Luton
  - Cultural Trust

**5** There have been a variety of areas audited during this period. Audits of secondary schools have been completed and the next round of Financial Management Standard assessments have commenced. We also undertook financial health checks of infant schools and nurseries. Deloitte, our private sector partner, have commenced their audits in the specialist area of Information Management and Contract auditing. We continue to work with Building Technical Services and in respect of one audit also with Capital Asset Management Services to review procurement processes.

**6** The performance indicators are an improvement from the last update although not still to the high standard that has been previously achieved. The main reason is the lack of senior audit staff to review audit files and reports and delayed responses from managers to audit reports and follow-up reviews which adds to the time taken for each audit. It is good to report

that the staff resource issues within Internal Audit are improving with one person returning from long-term sick leave and another about to return from maternity leave. Details on the progress of the audit plan are in Appendix B and details of reports issued since April 2008 are in Appendix C.

- 7 For the period April to 16 November 2008 we have issued 74 final reports. Four reports recorded a limited or no assurance on controls and these have been reported to previous meetings of this Committee. Three follow-up audits (due to limited or no assurance opinions) were due for report to this meeting of the Committee and the results are in the following paragraphs.

### **Bank Reconciliation**

It was found in this follow-up audit that action has been taken by management to implement the recommendations made in the audit report. Considerable effort has been put into reducing the total value of unallocated items held in suspense. Between December 2007 and August 2008 the suspense account was reduced by almost 90%, from £3,429,548 to £350,734 due to a mixture of work carried out by the Accountancy team and the Cashiers service.

Whilst not all recommendations have been fully implemented there is sufficient progress to provide an adequate assurance on the current standards of internal control.

### **Housing Clients Money**

Of the 10 recommendations previously made seven had been fully implemented and three had been partially implemented. We have made further recommendations in these areas but this does not reduce the level of assurance which is now adequate.

### **BTS Stock Control**

During the course of the follow-up audit we found a number of weaknesses, the more significant being:-

- although the year end stock and asset balances were valued at replacement or cost value there was no documented evidence to substantiate that the values recorded were reasonable.
- accounting for all stock and assets belonging to BTS is not possible as no reliable stock record was in place before the appointment of the Materials Co-ordinator (in May 2008) and there is a lack of records for van stocks, including tools and equipment.
- there is no control on stock held at suppliers' premises.
- to enable an effective transfer to, and operation of, the new Housing computer system (IBS) more work is still required, particularly in

relation to costing and invoicing functions, interfacing with the existing AFP Procurement system and the Civica Financial systems,

Whilst there has been good improvement since the last audit it is our opinion that in respect of the areas covered by the report we can only provide limited assurance on the standards of internal control.

### **RISK IMPLICATIONS**

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

### **FINANCIAL IMPLICATIONS**

- 9 There are no financial implications to this report other than those set out in the body of the report. This has been agreed with the Head of Corporate Finance on 25<sup>th</sup> November 2008.

### **LEGAL IMPLICATIONS**

- 10 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 Richard Stevens, Head of Legal Services on 25<sup>th</sup> November 2008.

### **APPENDICES**

- 11 The following appendices are attached to this report:

Appendix A – Performance Indicators

Appendix B - Audit Plan Progress

Appendix C - List of final reports issued April to November 2008

### **LIST OF BACKGROUND PAPERS**

#### **LOCAL GOVERNMENT ACT 1972, SECTION 100D**

The Accounts and Audit Regulations 2006.

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Internal Audit Reports.

**APPENDIX A****2008/9 PERFORMANCE INDICATORS AND BENCHMARKS TO 16  
NOVEMBER 2008**

<b>PERFORMANCE INDICATOR</b>	<b>TOTALS</b>	<b>TARGET OR PLAN</b>
Number of audit reports produced	74	N/A
Percentage of audits within budget	74%	90%
Percentage of planned audit days completed	86%	90%
The proportion of draft audit reports which have been issued to clients within 10 working days of the conclusion of the audit	64%	95%
Percentage of final reports issued within ten working days of discussion of the draft report	99%	95%
Percentage of final reports followed up within nine months of the issue of the final report	74%	95%
Number of follow up forms unreturned after two months of issue	1	0
Percentage of audit recommendations which have been accepted	98%	95%
Percentage of productive time compared to total time available	56%	59%
Percentage of customer surveys with higher than satisfactory mark	100%	95%
Sick absence as a percentage of days available	5%	4%

## APPENDIX B

### Audit Plan Progress to 16 November 2008

Report  
Status  
F = Final  
D= Draft  
C = no  
report  
required

	DAYS				
	Actual	Plan	Actual	Plan	
<b>External Audit Assurance</b>					
Key Controls	66.1	50			
Grants	15.4	25			C
BVPI	18.8	25			F
Teachers Pension Agency	30.1	35			F
<b>Total</b>			<b>130.4</b>	<b>135</b>	
<b>Chief Executive</b>					
LAA - 07/08 Certification	5.8	5			F
LAA Assurance	1.0	20			
Members - Register of Interests	1.4	5			
Partnership Monitoring	0.0	10			
Interpretation and Translation	5.0	5			F
<b>Total</b>			<b>13.1</b>	<b>45</b>	
<b>Customer and Corporate Services</b>					
Council Tax (Debit)	0.4	10			
Cashiers	5.0	10			F
Hospitality & Gifts	3.1	10			F
Court Costs	3.4	5			F
Follow Up of Reviews	1.3	0			
Money Laundering	0.2	5			
Registrars - Processes	1.7	5			F
Council Tax (Debit)	0.4	10			
Benefits - Housing Allowance	0.2	30			
Benefits Fraud	0.3				
Duplicate Payments	9.3	10			
Other Audits not commenced		90			
<b>Total</b>			<b>25.2</b>	<b>185</b>	
<b>Housing &amp; Community Living</b>					
Adult Educ follow up	1.8	5			F

BTS	32.8	30		F
Community Centres	4.4	10		
Follow Up of Reviews	2.7			
Rent Arrears	24.2	10		F
Home Improvement	11.5	10		F
Grants				
Rent Deposit Scheme	9.6	10		F
Elderly Persons Homes	12.6	10		D
Supporting People	0.5	15		
Central Accountancy	10.9	10		F
Commissioning of	0.9	10		
Places in Homes				
Home Career	0.4	5		
Payments				
Top Ups for Care	0.7	5		
Places				
Homelessness Follow	10.5	5		F
Up				
Care Packages &	1.35	5		
Payments RA				
Housing Allocations	7.29			F
Follow Up				
Clients Money F/U	4.00			F
Other audits not		40		
commenced				
<b>Total</b>			<b>136.1</b>	<b>180.0</b>

### Children & Learning

Beechwood Primary	5.0	5		F
(FMSIS)				
Ashcroft High FMSIS	2.4	8		F
Ashcroft Follow up	4.9	10		F
Follow Up of Reviews	4.1			
Financial Mgt in	4.1	65		
Schools				
Schools - Audit Work	9.5	54		
Central Accountancy	7.9	10		F
Children & Families RA	5.8	5		
Disabled Children	9.8	10		F
Residential Units	0.0	10		
SLA's &	21.3	15		
Contracts(Foster Care				
Transport)				
Financial Returns	6.1	5		F
FMSIS General	11.40	5		
Schools Audit Work	3.3	5		
General				
Cardinal Newman	7.42	7		F
Challney Boys	6.99	7		F
Challney Girls	7.0	7		F

Denbigh High	6.5	7	F
Icknield High	11.6	7	F
Lea Manor High	10.2	7	F
Lealands High	8.5	7	F
Putteridge High	0.1	7	
Stopsley High	7.31	7	F
Stopsley Primary	7.5	5	F
Dallow Primary re-assessment	5.0	5	F
Infant/ Nursery Health Checks	18.7	10	
Downside Junior FMSIS	6.6	5	
Warden Hill Junior FMSIS	0.0	5	
Warden Hill Infants FMSIS	4.0	5	
Whitefield Infants FMSIS	4.6	5	
Dallow Primary re-assessment	4.3	5	F
Safer Recruitment (Schools) Follow Up	3.6		
School Admissions RA	1.7	5	
Central Accountancy	7.9	10	F
Extended Schools	0.3	20	
Financial Returns	6.1	5	F
Other audits not commenced			
<b>Total</b>		<b>231.7</b>	<b>355</b>
<b>Environment &amp; Regeneration</b>			
Parking Services	11.5	10	F
Parks & Open Spaces RA	10.5	10	F
Follow Up of Reviews	1.9	0	
Visitor Info Centre RA	6.7	5	
Bus Operator Grant	3.5	2	C
Concessionary Fares	8.2	8	
Development Control	0.2	10	
BVPI 199	0.3	5	
Trade Waste	1.9	10	
Pest Control	10.6	5	F
Licensing	9.8	5	F
Other audits not commenced		72	
<b>Total</b>		<b>65.0</b>	<b>142</b>
<b>Information Management</b>			
Disaster Recovery	10.00	10	D



Planning				
Audits not commenced		40		
<b>Total</b>			<b>10.0</b>	<b>50</b>
<b>Contract Audit</b>				
BSF	11.2	15		D
BTS	10.0	20		D
Other audits not commenced		10		
<b>Total</b>			<b>21.2</b>	<b>45.0</b>
<b>Risk Management</b>				
Overview	1.8	5		
Risk Workshops	0.1	30		
Care Packages & Payments Risk Workshop	4.2	5		C
Other audits not commenced		55		
<b>Total</b>			<b>6.1</b>	<b>95</b>
<b>Value for Money</b>				
Admin Review	0.2	0		
HR Review	53.6	30		
IM Review	28.2	30		
Legal	4.8	20		
Payment of Home Careers	0.0	15		
<b>Total</b>			<b>86.8</b>	<b>95</b>
<b>Special Investigations</b>				
BTS Accounts	6.18	7		F
Whistleblowing	3.48	5		C
Sickness	0.81	2		C
Special Investigations General	3.87	5		
Payroll Invalid Nino	9.73	5		D
BTS /CAM	26.9	20		D
Contingency		31		
<b>Total</b>			<b>51.0</b>	<b>75</b>
<b>Consultancy and Advice</b>				
Benefits Referrals	1.4			
Annual Governance Statement	2.70	15		
Consultancy & Advice Balance Only	1.86	61		
Luton Excellence Assurance	0.61	5		
NFI	13.31	20		

RIC Group	1.01	5			
Safer Recruitment	21.05	10			
The Mall	12.71	10			F
CCS Equalities Group	1.52	2			
Equalities Action Plan Review	0.30	5			
Consultancy & Advice General	10.46	5			
Adult & Community Learning Follow Up	2.61	3			F
Library Theatre Cash Loss	2.03	2			C
BVPI General	2.94	5			C
CSCI Data Validation	1.93				F
Bramingham Cash Loss	7.12				F
Staff Survey	1.11				
<b>Total for</b>			<b>84.7</b>	<b>148</b>	
<b>Active Luton</b>					
Audits as required	21.4	40			
<b>Total</b>			<b>21.4</b>	<b>40</b>	
<b>Cultural Trust</b>					
Audits as required	0.5	30			
<b>Total</b>			<b>0.5</b>	<b>30</b>	
<b>London Luton Airport</b>					
Concession Fee	21.3	20			F
<b>Total</b>			<b>21.3</b>	<b>20</b>	
<b>Planning and Reporting</b>					
Audit Planning	10.82	15			
Audit Reporting	10.80	15			
<b>Total</b>			<b>21.6</b>	<b>30</b>	
<b>TOTAL PRODUCTIVE DAYS</b>			<b>926.1</b>	<b>1,670</b>	
<b>Overheads</b>					
Balance Brought Forward	20.33				
Admin Support	81.15	66			
Annual Leave	165.81	318			
Bank Holidays	17.31	57			
Management	85.05	113			
Other Training	39.45	16			
Sickness	75.99	88			
Special/ Maternity	210.54	305			

Team Meetings	20.64	88		
Technical Training	13.67	82		
Turnover		85		
<b>Total Overheads</b>			<b>729.9</b>	<b>1,218</b>
<b>TOTAL DAYS</b>			<b>1,656.0</b>	<b>2,888</b>
<b>Productivity</b>			<b>56%</b>	

## REPORTS ISSUED APRIL TO NOVEMBER 2008

<b>Audit</b>	<b>Opinion</b>
<b>2007/08</b>	
<b>External Audit Assurance</b>	
Creditors	Adequate
E-Procurement	Adequate
Main Accounting	Adequate
Budgetary Control	Adequate
Payroll	Adequate
Rents	Adequate
Council Tax	Adequate
<b>Customer &amp; Corporate Services</b>	
Hospitality & Gifts	Adequate
Registrars	Adequate
Court Costs	Adequate
Cashiers	Adequate
<b>Housing &amp; Community Living</b>	
Adult Education follow up - routine	Limited
Adult Education follow up - spec investigation	n/a
Adult Education follow up - Imprest	Limited
<b>Special Investigations</b>	
BTS Accounts	n/a
BTS Stock Control	None
<b>Children &amp; Learning</b>	
Beechwood Primary FMSIS	n/a
Ashcroft High FMSIS re-assessment	n/a
Ashcroft High F/U	Adequate
<b>Environment &amp; Regeneration</b>	
Parking Services	Adequate
Parks & Open Spaces (RA)	Adequate
<b>Active Luton</b>	
Hightown Community Sports & Art Centre	n/a
<b>Information Management</b>	
Matrix	Adequate

**2008/09**

**Key Controls**

E&R Accountancy	Full
	Not fairly
BV 184A (LA Non Decent Homes)	stated
	Fairly
BV 199 A-C (Environmental Cleanliness)	stated
	Fairly
BV 183B (Average Stay in Hostels)	stated
	Not fairly
BV 215B (Speed in Fixing Street Lights)	stated
	Not fairly
Cost Per Library Visit	stated
Lea Manor High School Teachers Pension	Full
Stopsley High School Teachers Pension	Full
Lealands High School Teachers Pension	Full
Icknield High School Teachers Pension	Full
Cheyne's Infant School Teachers Pension	Full
Crawley Green Infant School Teachers Pension	Full

**Chief Executive**

LLA - 07/08 Certificate	n/a
Interpretation & Translation	Adequate

**Customer & Corporate Services**

Bank Rec Follow up	Adequate
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**Housing & Community Living**

Rent Arrears	Limited
Clients Money Follow up	Adequate
Housing Allocations Follow up	Limited
Homelessness Follow up	Adequate
Rent Deposit Scheme	Adequate
Home Improvement Grants	Adequate
Central Accountancy	Adequate

**Children & Learning**

Cardinal Newman	Adequate
Challney High for Boys	Full
Challney High for Girls	Adequate
Denbigh High	Full
Icknield High	Adequate
Icknield Payroll	Adequate
Lea Manor High	Adequate
Leadlands High	Adequate
Stopsley High	Full
Stopsley High Payroll	Full

Stopsley Primary	Adequate
Dallow Primary FMSIS re-assessment	n/a
Central Accountancy	Full
Financial Returns	Adequate
Disabled Children	Adequate

### **Environment & Regeneration**

Bus Operators Grant	n/a
Bus Operators Grant 08/09	n/a
Pest Control - Income	Adequate
Licensing - Income	Adequate

### **Risk Management**

Care Packages & Repayments Risk Workshop	n/a
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### **Consultancy & Advice**

Adult Community Learning	Adequate
Library Theatre Cash Loss	n/a
CSCI Data Validation	n/a
Bramingham Centre Cash Loss	n/a
The Mall	n/a

### **Active Luton**

Teachers Pension	n/a
Block Bookings Follow up	n/a
Stockwood Follow up	n/a

### **London Luton Airport**

Concession Fee	Adequate
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