

**COMMITTEE: AUDIT AND GOVERNANCE**

**DATE: 11 DECEMBER 2012**

**SUBJECT: INTERNAL AUDIT PLAN UPDATE**

**REPORT BY: AUDIT MANAGER**

**CONTACT OFFICER: BEV GIBBINGS**

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**IMPLICATIONS:**

**LEGAL** ☐

**COMMUNITY** ☐

**SAFETY**

**EQUALITIES** ☐

**ENVIRONMENT** ☐

**FINANCIAL** ☐

**RISKS** ☐

**STAFFING** ☐

**OTHER**

**WARDS AFFECTED: NONE**

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**PURPOSE**

- 1 To update the Audit and Governance Committee on the work of the Internal Audit Service for the period 1 April to 23 November 2012.

**RECOMMENDATIONS**

- 2 the Committee is recommended to:
  - (i) receive the Internal Audit Plan update report which covers the period April to 23 November 2012
  - (ii) request the Audit Manager to report the follow-up of the Rent Deposit Scheme to the June 2013 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**

### **Audit work**

4. Between 1 April and 23 November 2012 we have completed 38 audits. We have provided a range of opinions and it is pleasing to note that of these we gave thirteen 'Substantial Assurance' and eleven 'Adequate Assurance' opinions on the systems of control. A further twelve audits were not given an opinion as we were not testing controls in these areas. Of the remaining two audits, one has received an opinion of 'No Assurance' on the system of control and one has received an opinion of 'Limited Assurance'.

### **Performance**

- 5 We continue to monitor and report our Performance Indicators and a Summary to the 23 November is included at Appendix A. We have raised 180 recommendations since April and are pleased to confirm that all but one of these have been accepted by management.
6. We continue to monitor our sickness against corporate performance which is currently just under 10 days. Our sickness per person for the year to date is 4.18 days per FTE. This is still a very good performance when compared to the Council average.
7. We have issued 38 Post Audit Questionnaires since April and 22 have been returned. Of the returned questionnaires, 15 service managers indicated we are providing an 'excellent' service whilst the remaining seven thought we were 'good'. Overall analysis of the returned questionnaires gave us an average score of 91.9/100.

### **Progress against Plan**

8. The current Annual Audit Plan consists of 1000 days. Approval was given by this Committee in September to reduce this from 1100 days. We record time against individual jobs and report on progress against the plan. The productive time recorded between 1 April and 23 November is 641 days. A summary of our work in the year to date is attached at Appendix B.

### **Reports Issued**

9. During the year 1 April to 23 November we have completed 38 Audits. A summary of the opinions given is attached at Appendix C.

### **High Priority Recommendations**

10. We have raised 14 high priority recommendations since April. Of these we have followed-up on 12 and the remaining two will be reviewed shortly.

## **Implementation of Recommendations**

11. As part of Audit procedures we follow up on all recommendations approximately six months after a report is issued. In the year to November we have followed up on 189 recommendations. Of these 142 (75%) have been fully implemented, 31 (16.5%) have been partly implemented and 16 (8.5%) have not been implemented to date. A summary of the recommendations followed up is attached at Appendix D.

## **Limited Assurance and No Assurance audits**

12. Since April we have issued two reports, one each with the opinion of 'Limited Assurance' and 'No Assurance' on the system of controls. The audits of Adoption, Special Guardianship & Residence Order Allowances and Subcontractors in BTS were reported to this Committee in September and are due to be followed up in January 2012 and reported back to this Committee in March 2012.

## **Rent Deposit Scheme**

13. We followed up on our audit of the Rent Deposit Scheme which was given an opinion of 'Limited Assurance' on the system of controls in November 2011. Our initial review highlighted a number of weaknesses particularly surrounding the repayment and recovery of rent deposits and we raised ten recommendations. The follow up report was in draft at the time of the last meeting of this Committee and therefore only verbal feedback was presented and we agreed to provide a full report of progress to the December 2012 meeting of this Committee.
14. The objective of this follow-up review was to evaluate the progress made towards strengthening controls and implementing the recommendations raised within the November 2011 report, in order to provide an update to management and the Audit & Governance Committee. However since finalising the November 2011 report and agreeing ways forward with management, the Service has since decided to pursue the implementation of alternative controls. Whilst this is wholly acceptable, it did present some difficulties when attempting to complete a full follow-up review as initially intended.
15. Discussions with management identified that the weaknesses highlighted within the November 2011 report have been acknowledged and that steps are being taken to address these. However as stated above, the Service is seeking to put alternative controls in place. As part of this new approach, the Service is considering using the Housing Income Recovery Team to collect outstanding deposits, as opposed to using Sundry Debtors as previously recommended.
16. It was also identified that management have recently reviewed and amended procedural guidelines, to incorporate some of the issues previously highlighted. It was however found that despite the new guidelines being drafted in December 2011, they have yet to be fully implemented or adopted by all staff. Audit testing highlighted that whilst some staff were working towards the new procedures, and had been for some time, others continued to follow outdated procedures.

There is a risk that this could cause inconsistency in the application of the scheme, impacting on the effectiveness of debt recovery, and also affecting the level of service experienced by members of the public.

17. It is important to acknowledge that the purpose of the Rent Deposit Scheme is to tackle homelessness numbers and to reduce the reliance on temporary accommodation (Bed & Breakfast). In 2011/12 the Scheme assisted 115 priority need households and 67 non-priority householders, who otherwise would have been placed within a form of temporary accommodation. If these households had been placed within temporary accommodation, the Service anticipates that this would have cost the council approximately £40k per week. It is also noted that the Scheme is subsidised by a government grant.
18. In summary, this review has highlighted that several gaps in control still remain, which could potentially place the achievement of the Rent Deposit Scheme's objectives at risk. Internal Audit is however appreciative that the findings and recommendations raised in the November 2011 report have since become outdated, with Management opting to implement alternative controls. It is anticipated that once these newly proposed controls are fully implemented, and a policy is introduced to support and enforce the requirements of the Rent Deposit Scheme, that the overall level and robustness of control will significantly improve.
19. As a result of the level of ongoing developments and planned changes to the Scheme, we are not able to provide a conclusive opinion on the current standards of internal control at this point in time. As means of a way forward, we plan to re-visit the Service in April 2013 to undertake a new and comprehensive assessment of the Rent Deposit Scheme. This will provide Management with the opportunity to fully implement their proposed developments, and will allow Internal Audit to give a true, accurate and meaningful opinion on the standards of internal control on completion of the work.

### **RISK IMPLICATIONS**

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

### **FINANCIAL IMPLICATIONS**

21. 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 Finance on 28 November 2012.

### **LEGAL IMPLICATIONS**

22. 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 and Monitoring Officer on 30 November 2012.

## **APPENDICES**

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

Appendix A – PI Summary for the period 1 April to 23 November 2012.

Appendix B – Progress against Plan

Appendix C – Summary of Audits Completed

Appendix D – Implementation of Recommendations

Appendix E – Monitoring of High Level Recommendations

## **LIST OF BACKGROUND PAPERS**

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

- (a) The Accounts and Audit Regulations 2006.
- (b) The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- (c) Internal Audit Reports.

# APPENDIX A

## PI Summary - for the Period 1 April to 23 November 2012

PERFORMANCE INDICATOR	TOTAL (to 23 Nov)	ANNUAL TARGET
<b>Reporting</b>		
Number of Audit Reports Issued	38	n/a
Percentage of draft audit reports which have been issued to clients within 10 working days of the conclusion of the audit.	71%	95%
Percentage of final audit reports which have been issued to clients within 10 working days from the agreement of the draft report.	100%	98%
Percentage of audit recommendations that have been accepted	99.4%	98%
<b>Performance</b>		
Percentage of planned days completed	98%	90%
Percentage of productive time compared to total days	65%	65%
Percentage of audits completed within budget	82%	90%
Sickness absence as a percentage of total days	3%	4%
<b>Post Audit Questionnaires</b>		
Total Post Audit Questionnaires Issued	38	
Total Returned	22	
Average Score (out of 100)	91.9	
No of Poor (rating of 1 - 50)	0	
No of Satisfactory (rating of 51 - 65)	0	
No of Good (rating of 66 - 90)	7	
No of Excellent (rating of 91 - 100)	15	

# APPENDIX B

## PROGRESS AGAINST PLAN

	Actual Days	Plan Days	Stage
<b>Chief Executives</b>			
Community safety & civil protection	4.17	0.00	F
Electoral Services	3.95	20.00	
Data Quality Review	1.89	20.00	
	<b>10.01</b>	<b>40.00</b>	
<b>Commercial &amp; Transformation Services</b>			
Fixed Assets	9.83	0.00	C
Investment Properties	0.61	0.00	F
'Snow' Licensing	5.91	0.00	F
Main Accounting	5.96	15.00	WIP
Budgetary Control	10.78	20.00	WIP
IM Audits	2.13	15.00	WIP
Payroll/HR Trent	6.77	20.00	WIP
Debtors	18.05	20.00	WIP
Treasury Management	14.16	15.00	F
Duplicate Payments	2.59	15.00	
Fixed Assets	7.06	20.00	WIP
The Mall Head Rent 2011	9.22	10.00	F
Housing Benefits	7.86	20.00	WIP
Council Tax/NNDR	3.52	20.00	WIP
Account s Payable/Procurement	9.17	20.00	WIP
FOI /Data Protection	15.79	20.00	WIP
Bank Reconciliation	1.89	10.00	WIP
Audits not commenced		35.00	
	<b>131.30</b>	<b>275.00</b>	
<b>Housing &amp; Community Living</b>			
Dwelling Rents	2.59	0.00	F
Purchase of home care	7.40	0.00	F
Homelessness	10.91	10.00	D
Rent Deposit Scheme	12.86	5.00	F
Personalisation Budgets	24.93	30.00	WIP
BTS Follow Up	3.65	5.00	WIP
Audits not commenced		45.00	
	<b>62.34</b>	<b>95.00</b>	
<b>Children &amp; Learning</b>			
Childrens Centres	3.04	10.00	D
E-Learning Centre	1.24	5.00	
Leases / Rentals	9.03	10.00	D

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School Meals	0.27	0.00	
Schools - themed reviews	0.74	10.00	
Teachers Pensions Agency	36.96	25.00	F
School Audits	7.29	0.00	
16+ Team Weekly Allowances	15.77	10.00	F
Adoption, Special Guardianship & Residence Order Allowances	11.95	12.00	F
Cardinal Newman	8.40	10.00	F
Foxdell Infants	0.14	4.00	
Hillborough Infant	0.20	4.00	
Lea Manor	6.45	10.00	F
Lealands	0.20	4.00	
Somerley Junior	7.41	10.00	F
St Margaret Primary	8.71	10.00	F
Challney Girls	5.36	10.00	D
Audits not commenced		11.00	
	<b>123.16</b>	<b>155.00</b>	
<b>Environment &amp; Regeneration</b>			
Cleansing	2.57	0.00	F
Car Parking Services	15.65	15.00	F
Transportation Grant	4.63	10.00	F
Bus Operators Grant	4.32	5.00	C
Audits not commenced		20.00	
	<b>27.16</b>	<b>50.00</b>	
<b>Risk Management</b>			
Corporate Risk Registers	38.58	50.00	WIP
	<b>38.58</b>	<b>50.00</b>	
<b>Contract Audit</b>			
Contract Audits	5.71	20.00	WIP
Schools Contracts	16.06	0.00	F
	<b>21.77</b>	<b>20.00</b>	
<b>Special Investigations</b>			
BTS Sub-Contractors	19.54	0.00	F
Special Investigations	2.43	20.00	
WB - 01/2012-13	5.24	5.00	WIP
	<b>27.21</b>	<b>25.00</b>	
<b>Value for Money</b>			
Value for Money Review	1.52	0.00	WIP
	<b>1.52</b>	<b>0.00</b>	



## APPENDIX B

### Consultancy & Advice

Consultancy & Advice General	12.79	25.00	WIP
Follow Up Reviews	5.78	10.00	WIP
School Meals at Schools	3.81	5.00	F
School Meals Reconciliation	3.73	5.00	F
Fraud Team Review	23.13	25.00	C
	<b>49.23</b>	<b>70.00</b>	

### Active Luton

Audits as required	<b>9.61</b>	<b>40.00</b>	WIP
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### Culture Trust

Audits as required	<b>42.40</b>	<b>30.00</b>	WIP
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### Planning & Reporting

Audit Planning	11.64	30.00	WIP
Audit Reporting	15.19	20.00	WIP
	<b>26.84</b>	<b>50.00</b>	

### London Luton Airport

Concession Fees	<b>13.72</b>	<b>20.00</b>	F
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### Corporate Assurance

Quarterly Governance Statement - Dec	0.81	0.00	C
Annual Governance Statements	9.97	11.00	C
NFI	39.25	50.00	WIP
Working Groups	4.26	10.00	WIP
Quarter 1 Statement of Governance	1.66	3.00	C
Quarter 2 Statement	0.27	3.00	WIP
Audits not commenced		3.00	
	<b>56.22</b>	<b>80.00</b>	

<b>TOTAL</b>	<b>641.07</b>	<b>1,000.00</b>	
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### Key

F = Final

D = Draft

C = Complete (no report required)

WIP - Work in progress

# APPENDIX C

## Summary of Audits Completed

### 2011/12 Audits B/F

<u>Audit</u>	<u>Opinion</u>
<b>Chief Executive</b>	
Community Safety & Civil Protection	Substantial
<b>Commercial &amp; Transformation Services</b>	
Investment Properties	Adequate
'Snow' Licensing	Adequate
<b>Environment &amp; Regeneration</b>	
Cleansing	Substantial
<b>Children &amp; Learning</b>	
School Contracts	Adequate
<b>Housing &amp; Community Living</b>	
Rent Debit / Dwelling Rents	Adequate

### 2012/13 Plan

<b>Chief Executives</b>	
Annual Governance Statement	N/A
<b>Commercial &amp; Transformation Services</b>	
Treasury Management	Substantial
The Mall Head Rent 2011	N/A
<b>Housing &amp; Community Living</b>	
Adoption, Special Guardianship & Residence Order Allowances	Limited
Homecare Commissioning & Monitoring	N/A
Rent Deposit Scheme	N/A
<b>Children &amp; Learning</b>	
Teachers Pension Agency	
- TR17 Claim Form	Adequate
- Part A Schools	N/A
- Ashcroft High	Substantial
- Stopsley High	Substantial
- Lea Manor High	Substantial
- Icknield High	Substantial

## APPENDIX C

- Beech Hill Primary	Adequate
- Cheynes Infant	Adequate
Lea Manor High School	Substantial
Somerles Junior School	Substantial
St Margarets Primary School	Adequate
Cardinal Newman High School	Substantial

### **Environment & Regeneration**

Bus Operators Grant (year-end)	Substantial
Bus Operators Grant (mid-year)	Substantial
Car Parking	Adequate
Transportation Grant	N/A

### **Consultancy & Advice**

School Meals Reconciliation	Adequate
School Meals at Schools	Adequate
Denbigh High	N/A
Challney Boys TPA	N/A

### **London Luton Airport**

Concession Fee	Substantial
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### **Special Investigations**

BTS Subcontractors	No assurance
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### **Active Luton**

Audits x 2	N/A
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### **Cultural Services Trust**

Audits x 2	N/A
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## Implementation of Recommendations

## APPENDIX D

<u>Report</u>			<u>Implementation Status as at : 23-Nov-12</u>			
Audit	Date of Report	Total Recs	Fully Implemented	Partly Implemented	Not Implemented	Comments
Building Works / Property Maint	05-Oct-11	11	6	4	1	(3 relate to PDA's and mobile working)
School Meals (at schools)	21-Oct-11	13	12	1	0	Complete
School Meals (LLRC) Follow Up	21-Oct-11	4	4	0	0	Complete
St Josephs Infant	24-Oct-11	18	12	5	1	Work in progress
William Austin Junior	07-Nov-11	7	7	0	0	Complete
Farley Junior	14-Nov-11	13	8	4	1	no further action - compensating control
The Mall Head Rent 2010	17-Nov-11	3	0	1	3	Superseded
St Josephs Junior	21-Nov-11	10	10	0	0	Complete
Warden Hill Junior	21-Nov-11	6	6	0	0	Complete
William Austin Infant	21-Nov-11	7	7	0	0	Complete
Rent Deposit Scheme	22-Nov-11	10	2	2	6	Superseded
Warden Hill Infant	24-Nov-11	9	7	2	0	no further action
Wenlock Junior	24-Nov-11	7	7	0	0	Complete
Ferrars Junior	28-Nov-11	3	3	0	0	Complete
Hillborough Junior	09-Dec-11	5	5	0	0	Complete
Whitefield Primary	19-Dec-11	3	3	0	0	Complete
Highways Maintenance Contract	03-Jan-12	6	2	3	1	Work in progress
Visitor Information Centre	05-Jan-12	4	1	1	2	Updating of policies is outstanding
Libraries	05-Jan-12	2	0	1	1	Rec delayed - waiting for new software
Housing Benefits	11-Jan-12	9	7	2	0	Will be picked up in annual review
Denbigh Primary	12-Jan-12	3	3	0	0	Complete
Community Day Centres	23-Jan-12	11	10	1	0	Complete
Accounts Payable	03-Feb-12	2	2	0	0	Complete
Direct Payments	15-Feb-12	6	5	1	0	Complete

## Implementation of Recommendations

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Childrens Centres	22-Feb-12	10	6	3	1	No further action
Sundry Debtors	23-Feb-12	1	1	0	0	Complete
Adult Education	24-Feb-12	10	6	3	1	No further action
Downside Primary	24-Feb-12	4	4	0	0	Complete

<b>189</b>	<b>142</b>	<b>31</b>	<b>16</b>
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### Summary

Total Recommendations Raised	189
% Fully Implemented	75%
% Partly Implemented	16.5%
% Not Implemented	8.5%

### Monitoring of High Risk Audit Recommendations

Audit	Date of Report	Date of expected completion for all High Risk Recs	Number of High Risk Audit Recommendations Raised	IMPLEMENTATION STATUS as at:			27-Nov-12
				Fully Implemented	Partly Implemented	Not Implemented	Comments
Subcontractors in BTS	29-Aug-12	30-Sep-12	11	8	2	1	Will re-visit in February to undertaken full follow up.
Adoption, Special Guardianship & Residence Order Allowances	15-Aug-12	30-Nov-12	2	0	0	0	Follow up due
St Margarets Primary	19-Oct-12	30-Nov-12	1	1	0	0	Fully Implemented
				14	9	2	1