

COMMITTEE: AUDIT AND GOVERNANCE

DATE: 15th DECEMBER 2009

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 22 November 2009.**
- 3 **The follow-up audit of the Vocational Training Unit to be reported to the June 2010 meeting of this Committee.**

BACKGROUND

- 4 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

5 Since the last update the main areas of audit are:

- Assurance Audits
 - Schools – Audits and FMSIS
 - Safer Recruitment in Schools
 - Core Systems
 - National Performance Indicators
 - Follow-up Audits
- Consultancy and Advice
 - National Fraud Initiative
 - Budget Savings
 - Use of Consultants and Contractors
- Special Investigations
 - Preventing Violent Extremism (PVE) Grant
 - Putteridge High School
- Risk Management
 - Risk Workshop
- Value for Money
 - HR Review
 - Legal Review
- External Work
 - Active Luton
 - Cultural Trust
 - Bedford Schools

6 A detailed analysis of the audit work for this period is in Appendix A. There have been a variety of areas audited during this period but the main focus at this time of the year is as always on core systems assurance audits and schools. We have commenced the schools audit work on behalf of Bedford Borough Council and the first assessment has been completed.

7 The two special investigations noted are now complete. The Islamic Cultural Society have now provided sufficient evidence to support their grant expenditure. An audit of the grant system will be undertaken to ensure there is a robust system when assessing, providing and monitoring of PVE grants. The investigation at Putteridge High School is in respect of potential misuse of school funds and is now complete. The School is now considering the action to take.

8 Performance indicators are in Appendix B. These demonstrate a sound performance and the 2009/10 audit plan is on target to be completed.

9 For the period 1 April to 22 November 2009 we issued 65 final reports. Only three record a limited or no assurance on controls of which two have been reported to this Committee. The details of the third report are below.

10.1 Vocational Training Unit

10.1.1 We completed a review of the Vocational Training Unit in terms of the processes and procedures management have put in place for the activities of the 'Garden Gang' and Chaulleys' café. The Garden Gang is operated with an Amenity bank account and income and banking are therefore currently not included within the LBC systems. The overall budget allocation for the VTU for 2009/10 is £370k. Income from the Garden Gang is approximately £5,000 and £70,000 from the cafes (sale of meals to the general public, client meals and vending machines). Senior management in Housing and Community Living requested a review be undertaken given that these activities are relatively new to the Council and have not been audited before.

10.1.2 The two main areas that need improvement are clearer governance arrangements and financial systems and controls for the 'Garden Gang' which need to be brought into line with financial regulations.

10.1.3 We found that there are appropriate and effective systems in place regarding the controls for the processing and recording of income and expenditure for Chaulleys'. We made some recommendations to strengthen financial planning and monitoring, cash-handling and purchase authorisation.

10.1.4 It is our opinion that in respect of the areas covered by this report, we can provide Limited Assurance on the current standards of internal control. We found that the Business Development Manager has clear objectives and an action plan has been agreed with staff to address all issues.

11 We have followed up on three audits that were previously recorded as limited assurance.

11.1 Trade Waste

11.1.1 We are pleased to report that since our April 2009 review, positive steps have been taken to address the issues identified. An additional member of staff was appointed on a temporary basis in May 2009, with the sole responsibility of reviewing all customer records to ensure that valid and up to date Waste transfer Notes (WTNs) were held. Customers that were found to have an expired WTN were written to requesting that they complete and return a new WTN immediately, otherwise their collections would cease. This exercise has resulted in approximately 20 customers being placed on 'stop'. On review of a sample of customer records it was found that valid and up to date WTNs were held.

11.1.2 Despite good progress some gaps in control still remain. Detailed procedure notes for staff to follow have yet to be devised, the evidence obtained / retained to support changes in customers' collection circumstances could be stronger, and due to time constraints management have been unable to undertake periodic reviews of new customers' payments to ensure these have been set up correctly. The Service is currently reviewing its processes to determine where these can be streamlined and improved with support from the Luton Excellence Support Team. These control issues will be rectified at completion of the processes review.

11.1.3 It is our opinion that in respect of the areas covered by this report, we can now provide adequate assurance on the current standards of internal control.

11.2 Foster Care Transport

11.2.1 We followed up the thirteen recommendations made from the previous audit and are pleased to report that eleven recommendations have been fully implemented.

11.2.2 The only recommendations outstanding are to create a policy document and to make this available for service users and to have a Service Level Agreement between departments to ensure a framework is in place to ensure the joined up service operates effectively and that potential problems can be identified and resolved quickly. These recommendations have been re-stated but are only medium priority.

11.2.3 It is our opinion that, in respect of the areas covered by this report and testing undertaken, we can give adequate assurance on the current system of controls.

11.3 Early Years

11.3.1 This follow up review identified that action has been taken by management to implement the recommendations made in the previous internal audit report. A review of 15 recommendations identified 13 were fully implemented and only 1 was partly implemented and 1 was not implemented.

11.3.2 The recommendation which was partly implemented related to monitoring of childcare providers awarded a sustainability revenue grant during 2007/2008 and 2008/2009. The information held on the 2007/2008 file is currently being reviewed and paperwork is being chased. Where it is identified that no monitoring has been undertaken this will be carried out. Monitoring of childcare providers awarded a grant during 2008/2009 is being undertaken as and when they become due.

11.3.3 The recommendation not actioned related to developing a standardised assessment form for sustainability revenue grant applications. Applications for the sustainability revenue grant are received on an ad-hoc basis during

the year, and currently only 1 application has been received for 2009/2010. A standardised assessment form to formally document the review is to be developed.

11.3.4 As a result of the good progress made in implementing previous recommendations it is our opinion that in respect of the areas covered by this report we can now provide adequate assurance on the current standards of internal control.

12. BTS

12.1 At the last Audit and Governance Committee meeting it was noted that as there were still issues outstanding with the implementation of audit recommendations relating to the stock control system the BTS Service Manager was requested to attend the next meeting to address the Committee.

12.2 The following is a statement from BTS management

“BTS have put considerable effort into the implementation of the recommendations from the original stock audit report, however in terms of addressing one of the main issues relating to BTS taking responsibility for consolidated invoicing, this has not been possible to date.

There are a number of reasons why this aspect of the recommendations has yet to be implemented; namely

- The process for BTS to take control of consolidated invoicing necessitates that the new IBS system is in place and fully operational to allow this to happen. The IBS system went live on 2nd November 2009, however the stock control module has not gone live due to a number of problems that have been reported with other users of the system. These issues are being looked at to see how they can be overcome for Luton to successfully introduce this module.
- The process of co-ordinating and inputting for the consolidated invoicing system necessitates a full time officer that was not authorised as a post within the existing BTS structure, this meant that a new structure had to be developed and approved by the Council to allow the necessary authority to recruit to a purchasing role. The approval for this structure was agreed by the Council in November 2009.
- In order to fund the new structure, agreement needs to be reached that the Service Support Charge currently paid to Corporate Procurement for this work is reallocated to BTS to fund the Purchasing Officer post. Negotiations are still underway with Corporate Procurement to ensure that this necessary finance is in place for April 2010 when the new structure aims to be fully operational.

It is hoped that with co-operation across the Council that these issues can be addressed and will allow for this role to be transferred from Corporate Procurement to BTS in accordance with the recommendations contained within the stock audit report.

RISK IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 14 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 2nd December 2009

LEGAL IMPLICATIONS

- 15 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 2nd December 2009.

APPENDICES

- 16 The following appendices are attached to this report:

Appendix A – Audit Plan Progress
Appendix B – Performance Indicators
Appendix C – List of final reports issued April to November 2008

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

Audit Plan - April to 22 November 2009					
					Report Status F = Final D= Draft C = Work completed, no report required
Days					
				Totals	
		Actual	Plan	Actual	
External Audit Assurance					
	EAA Follow Ups	1.14			
	Benefits	0.27	10.00		
	Other Core Systems	35.00	35.00		
	Main Accounting	3.82	5.00		
	Payroll	1.42	10.00		
	Rents	0.14	15.00		
	Treasury Management	0.05	10.00		
	National Indicators	16.55	20.00		C
	TPA	22.84	25.00		C
				81.2	130.0
Chief Executive					
	Members - Register of Interests	3.58			F
	Partnership Monitoring	20.11			F
	Area Committee Spending	2.26	5.00		
	Communications & Engagement Strategy	5.00	5.00		F
	Crime & Disorder Funding	2.52	5.00		
	Electoral Services Process	0.07	5.00		
	LAA2 Assurance	6.00	20.00		
	National Indicators General	6.25	15.00		
	PVE Commissioning Structure	0.87	5.00		
	Postal Votes - European Elections	6.33	10.00		C
				53.0	70.0
Customer and Corporate Services					
	Money Laundering	0.95			
	Conveyancing Income	1.35			F
	Job Evaluation and Pay Panel	9.25			
	Printing	2.41			
	Bank Reconciliations	0.54	10.00		
	Benefits	0.14	10.00		
	Commissioning of CAM by Depts	0.41	10.00		
	Danwood Contract	1.19	5.00		
	Follow Up Reports (CAM)	0.14	10.00		
	Follow Ups of Reviews	0.82	10.00		
	LEP Procedures for Allocating Work	0.97	10.00		
	Sponsorship	6.52	5.00		F
	Stores	3.86	5.00		
	The Mall	7.12	5.00		

	Advertising	6.24	5.00			F
	Audits not commenced		80.00			
				41.9	165.0	
Housing & Community Living						
	Care Packages & Payments RA	8.44				F
	Commissioning of Places in Homes	0.20				F
	BTS - Review of UPVC Doors	0.14	20.00			
	BTS Follow-up stock Control	8.91	10.00			
	EPH Follow-up	9.59	10.00			D
	Follow Up of Reviews - Rents	12.91	10.00			F
	Housing Allocations Follow-up	8.91	10.00			F
	In-House Home Care	12.09	10.00			
	Payments through Care First	0.68	10.00			
	Personalisation	0.92	10.00			
	Rent Deposit Scheme	0.59	10.00			
	Supporting People Grant	3.78	5.00			F
	Vocational Training Centre	14.86	5.00			F
	Audits not commenced		50.00			
				82.0	160.0	
Children & Learning						
	Extended Schools	0.61				F
	Pirton Hill Voluntary Funds	5.39	5.00			C
	Contact Point	5.85	5.00			F
	Early Years	5.62	10.00			F
	E-Learning Centre	0.15	10.00			
	FMSIS	8.83	14.00			
	Follow Up of Reviews	10.05	5.00			
	Youth Offending Service	1.54	10.00			C
	Schools Audit Work	8.71	1.00			
	Foster Care Follow-up	4.45	5.00			D
	PLASC (school census)	0.14	5.00			
	Safer Recruitment (central)	2.75	10.00			
	Safer Recruitment (schools)	11.09	15.00			
	School Meals	0.56	15.00			
	Challney Girls Fmsis	4.86	5.00			
	Denbigh High Fmsis	1.78	3.00			
	Lea Manor High Fmsis	2.93	3.00			
	Icknield High Fmsis	3.08	5.00			
	Somerles Junior Fmsis	3.99	4.00			F
	Young Fundz Follow Up	5.14	5.00			F
	Challney Girls	4.66	5.00			
	Denbigh High	2.55	3.00			
	Putteridge High	22.23	4.00			F
	Lea Manor	3.63	3.00			
	Icknield High	4.93	5.00			
	Hart Hill Nursery	7.32	6.00			F
	Rothsay Nursery	0.07	4.00			
	Grasmere Nursery	5.89	4.00			F
	Chapel Street Nursery	9.81	6.00			D
	Pastures Way Nursery	3.99	4.00			F
	Gill Blowers Nursery	4.45	4.00			F
	Ashcroft High	8.59	4.00			

	Audits not commenced		88.00			
				165.6	275.0	
Environment & Regeneration						
	Development Control	2.03				F
	Fleet Transport	2.58				F
	Trade Waste	1.89				F
	WTS	0.68				F
	Building Control Fees	1.23	5.00			
	Bus Operators Grant	1.22	2.00			F
	Butterfield Management Contract	6.71	5.00			
	Community Safety	0.07	10.00			
	Economic Participation Project	1.28	10.00			
	Trade Waste Follow Up	1.15	5.00			D
	Follow-up Review of Enforcement	10.78	5.00			D
	Grant Procedures	0.61	5.00			F
	Highways - Payment Methods	12.37	15.00			D
	Luton & South Beds Local Delivery Vehicle	3.35	5.00			C
	Luton Station Gateway	3.64	5.00			C
	PI's	4.61	10.00			
	Trading Standards	5.20	5.00			D
	VIC Train Tickets	0.27	5.00			F
	Yellow Bus Income	10.15	6.00			
	East Luton Corridor	5.27	5.00			C
	Bus Operators Grant - mid year	0.95	2.00			F
	Follow Up of Reviews/Risk Audits	2.66	5.00			C
	Audits not commenced		25.00			
				78.7	135.0	
Risk Management						
	Corporate Risks	3.92	30.00			
	Departmental Risks	10.53	38.00			
	Risk Workshops	10.06	10.00			
	IM ORG Group R/W	3.49	4.00			C
	Treasury Management R/W	3.98	4.00			
	Children's Centres R/W	0.25	4.00			
	Risk Register Review	2.20	5.00			
	Personalisation R/W	3.95	4.00			
	Audits not commenced		4.00			
				38.4	103.0	
Information Management						
	Back-up & Recovery Follow Up	5.27	5.00			
	Code of Connection	10.00	10.00			
	Audits not commenced		35.00			
				10.0	50.0	
Contract Audit						
	Building Schools for the Future	0.14	20.00			F
	Audits not commenced		20.00			
				0.1	40.0	
Value for Money						

	Human Resources	53.57	30.00			
	IM Follow Up	0.27	5.00			
	Legal Services Review	20.08	30.00			
	Audits not commenced		25.00			
				73.9	90.0	
	Special Investigations					
	Special Investigations	1.21	10.00			
	Putteridge High School	43.63	40.00			F
	PVE Grant	5.79	5.00			C
	Direct Payments Cash Loss	3.12	4.00			C
	Mobile Texts	2.48	2.00			C
	Banking Discrepancies	8.68	9.00			
	Whistleblower WB023M	2.64	5.00			
				67.5	75.0	
	Consultancy and Advice					
	Annual Governance Statement	2.09	15.00			
	Anti-Fraud & Corruption	3.78	5.00			
	Cash Handling (establishments)	12.99	15.00			
	Consultancy & Advice (general)	10.62	5.00			
	Equality, Inclusion & Cohesion Strategy	1.26	10.00			
	Luton Excellence	41.51	5.00			F
	NFI	66.23	40.00			
	RIC Group	1.89	5.00			
	Staff Survey	5.06	2.00			
	Corporate Governance Action Plan	6.93	7.00			
	Stroke Care Grant	2.94	5.00			C
	Officers and Members Expenses	15.74	10.00			
	Concessionary Lettings	3.18	3.00			F
	Consultants/Contractors	58.86	28.00			
	Budget Savings	5.30	10.00			
	Sherd Lodge	9.78	8.00			D
	Hockwell CC Cash Loss	1.45	2.00			D
	Audits not commenced		30.00			
				249.6	205.0	
	Active Luton					
	Audit Work			30.2	40.0	
	London Luton Airport					
	Concession Fees			17.4	20.0	F
	Cultural Trust					
	Audit Work			24.8	50.0	
	Planning and Reporting					
	Audit Planning	9.92	15.00			
	Audit Reporting	10.02	15.00			
				19.9	30.0	
	Bedford Schools			11.2	77	

	TOTAL PRODUCTIVE DAYS			1,046	1,715	
	Overheads					
	Admin Support	56.41	71			
	Annual Leave	198.96	279			
	Bank Holidays	37.55	73			
	Management	97.98	88			
	Training	66.58	58			
	Sickness	42.39	85			
	Special/Maternity	55.39	59			
	Team Meetings	27.23	86			
	Balance Brought Forward	6.93				
	TOTAL OVERHEAD DAYS			589	799	

APPENDIX B

2009/10 PERFORMANCE INDICATORS AND BENCHMARKS TO 31 August 2009

PERFORMANCE INDICATOR	TOTALS	TARGET OR PLAN
Number of audit reports produced	65	N/A
Percentage of audits within budget	83%	90%
Percentage of planned audit days completed	89%	90%
The proportion of draft audit reports which have been issued to clients within 10 working days of the conclusion of the audit	72%	95%
Percentage of final reports issued within ten working days of discussion of the draft report	89%	95%
Percentage of final reports followed up within nine months of the issue of the final report	98%	95%
Percentage of audit recommendations which have been accepted	98%	95%
Percentage of productive time compared to total time available	64%	68%
Percentage of customer surveys with higher than satisfactory mark	100%	95%
Sick absence as a percentage of days available	4%	4%

APPENDIX C

REPORTS ISSUED APRIL TO 22 NOVEMBER 2009

Audit	Opinion
Re: 2008/09	
CHIEF EXECUTIVE	
LAA - Assurance	Adequate
Members - Register of Interest	Substantial
Partnership Monitoring	Limited
CUSTOMER & CORPORATE SERVICES	
E-procurement follow up	Adequate
Conveyancing income	Adequate
Job Evaluation	Adequate
HOUSING & COMMUNITY LIVING	
Supporting people	Adequate
Commissioning of Places in Homes	Adequate
Care Packages & Payments Risk Audit	Adequate
CHILDREN & LEARNING	
Contract procurement	Adequate
Extended Schools	Adequate
Early Years	Limited
ENVIRONMENT & REGENERATION	
ESF grants (*2)	Adequate
Concessionary Fares	Adequate
Development Control	Adequate
WTS	Adequate
Fleet transport	Adequate
Trade Waste	Limited
Cems & Crems RA	Adequate
Visitor Info Centre RA	Adequate
CONSULTANCY & ADVICE	
Equalities Action Plan Review	Adequate
Luton Excellence Assurance	Substantial
The Mall	n/a
CONTRACT AUDIT	
BSF	Adequate
BSF Follow Up	Substantial

Re: 2009/10

EXTERNAL AUDIT ASSURANCE

Teachers Pension Agency	
- Stopsley High School	Substantial
- Lealands High School	Adequate
- Icknield High School	Substantial
- Crawley Green Infant School	Substantial
- Lea Manor High School	Substantial
- Cheynes Infant School	Substantial

CHIEF EXECUTIVES

Communications & Engagement Strategy	Substantial
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CUSTOMER & CORPORATE SERVICES

Sponsorship	Substantial
Advertising	Substantial

HOUSING & COMMUNITY LIVING

Supporting People Grant	n/a
Follow Up Review of Rents	Adequate
BTS Stock Control Follow Up	Limited
Housing Allocations Follow Up	Adequate
Vocational Training Centre	Limited

CHILDREN & LEARNING

	No Assurance
Putteridge High School	Assurance
Somerles Junior School FMSIS	Pass
Young Fundz	Adequate
Hart Hill Nursery	Adequate
Grasmere Nursery	Adequate
Pastures Way Nursery	Substantial
Gill Blowers Nursery	Adequate
Contact Point	Adequate
Early Years	Adequate

ENVIRONMENT & REGENERATION

Bus Operators Grant (Oct 08 - Mar 09)	n/a
Bus Operators Grant (Apr 09 - Sep 09)	n/a
Luton Station Gateway Grant	n/a
Luton South Beds Local Delivery Vehicle Grant	n/a
East Luton Corridor Grant	n/a

RISK MANAGEMENT

IM Service Risk Workshop	n/a
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Personalisation Risk Workshop

n/a

CONSULTANCY & ADVICE

Strokecare Grant

n/a

Concessionary Lettings

Adequate

LONDON LUTON AIRPORT

Concession Fees

Adequate