

**COMMITTEE: AUDIT AND GOVERNANCE****DATE: 24 SEPTEMBER 2008****SUBJECT: INTERNAL AUDIT PLAN UPDATE****REPORT BY: HEAD OF AUDIT****CONTACT OFFICER: DAVID GOWING****TEL: 01582 546077****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.

**RECOMMENDATIONS**

- 2 The Committee is asked to receive the internal audit plan update report which covers the period April to 24 August 2008 and to recommended to the Executive to reduce the 2008/9 audit plan by 100 days.
- 3 The follow-up audits of Rent Arrears to be reported to the March 2009 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
  - Core assurance audits
  - BVPI
  - Teachers Pensions
  - BTS – stock control and income
- Consultancy and Advice
  - NFI
  - The Mall – accounts.
- Special Investigations
  - Building Technical Services
  - Whistleblowing Investigations
- Risk Management
  - Service risk workshop
  - Service risk audit
- Value for Money
  - HR Review
  - IM Review
- External Work
  - Active Luton
  - Luton Airport

**6** There has been significant contribution to value for money and LEx with internal audit leading corporate reviews on HR and IM. The final report on the IM review is to be presented to Corporate Leadership and Management Team on 25 September 2008. The HR review has now progressed to phase 2 which includes a review of the whole HR service.

**7** The performance indicators do not reflect as good a performance as in previous periods. 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. All possible options to recruit new staff are being fully considered. However, audit work is still being completed to a high standard and all essential audits are being completed. Details on the progress of the audit plan is in Appendix B and details of reports issued since April 2008 are in Appendix C.

- 8** As reported there is a staff resource problem within Internal Audit and a recent recruitment campaign was not fully successful. Only one out of three posts could be appointed so an auditor and an audit manager post remains vacant. There are also two staff on maternity leave and one on long-term sick leave. Our private sector partner, Deloitte have provided some staff resources to cover these vacancies but have been unable to provide as much resource as required. In addition a temporary auditor has been recruited through the Carlisle agency arrangement. The cost to cover all vacancies and absences would be prohibitive. To ensure the audit plan can be met it is anticipated that 100 days need to be reduced from the audit plan. The proposed areas for reduction are in Appendix Four. This includes reducing schools audits by 45 days. The main reason for this decrease is to ensure audits are efficient and to take a higher risk approach. A revised strategy on the audit of schools has been developed and agreed with Children and Learning.
- 9** For the period April to August 2008 we issued 39 final reports. Four reports recorded a limited or no assurance on controls and three were reported to the June meeting of this Committee. A summary of the fourth report is in the next paragraph.

#### **9.1 Rent Arrears**

The audit covered Housing Rent Arrears recovery and management and highlighted that evidence could not been provided to demonstrate:-

- reconciliation of the number and level of arrears, related properties and income generated from arrears is currently undertaken. This is a fundamental weakness in the system.
- there was formal policy to support the documented procedure notes in place.
- declaration of interest is required of officers where there may be potential conflict of interest in the event of officers dealing with certain arrears cases.
- stringent arrangements are in place to address and / or prevent housing benefit cases linked to rent arrears.
- adequate information is provided at tenancy 'sign up' stage on how tenants can prevent going into and dealing with arrears / debt problems.

The underlying reasons for the overall increase of £95,099 in rent arrears from £1,016,565 to £1,111,664 (April to June 2008) could be due to a combination of some or all of the above and particularly due to inadequate reconciliation of arrears income.

However, the processing of rent arrears is largely adhered to and is in accordance with procedures and staff are aware of their requirements. There are also measures in place to monitor officers' performance and efficiency. Some of these processes are expected to change and improve in the advent of a new computer system (IBS) system which is expected to be in place the end of 2008/09.

In respect of the areas covered by the audit only a limited assurance on the current standards of internal control could be reported

An action plan has been agreed with Housing management to address these issues.

## **10 Follow-Up Audits**

**10.1** Three follow-up audits are required to be reported to this Committee. The audits of Housing Allocations and Homelessness will be verbally reported to Committee as they were not concluded in time for this written report.

### **10.2 Safer Recruitment in Schools**

There has been good improvement in the adequacy of controls. This is mainly due to the schools now being fully aware of requirements. In a sample check of eight schools all demonstrated good control and awareness. A further sample will be checked in the Autumn term. The overall audit opinion of controls in this areas is now adequate.

## **11 RISK IMPLICATIONS**

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

## **FINANCIAL IMPLICATIONS**

**12** 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 5 September 2008.

## **LEGAL IMPLICATIONS**

**13** 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 5 September 2008.

## **APPENDICES**

**14** The following appendices are attached to this report:-

Appendix A – Performance Indicators

Appendix B - Audit Plan Progress

Appendix C - List of final reports issued March to May 2008

Appendix D – Amendments to 2008/9 audit plan

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

- 15**     (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.