

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 9 MARCH 2016

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 3RD QUARTER 1ST OCTOBER TO 31ST DECEMBER 2015

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

To report on internal audit work carried out during the period 1st October to 31st December 2015, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

2. Recommendations:

- 2.1 That the Internal Audit Progress Report for the third quarter of the year 2015/16 be noted.
- 2.2 That Members decide whether the audit report recommendations not agreed by management, as detailed in 8.2.1, are acceptable risks to the Council.
- 2.3 That Members decide on actions required by Managers that have not implemented agreed Internal Audit recommendations within a reasonable timescale, as detailed in 8.2.2.
- 2.4 That Members provide feedback to the Internal Audit Manager on the format of the Internal Audit reports to this committee.

3. Reasons for the recommendation:

- 3.1 One of the roles of this committee is to review quarterly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary.

4. What are the resource implications including non financial resources.

None.

5. Section 151 Officer Comments:

This report highlights areas of good governance that should be followed by the relevant manager. Some significant issues have been reported this quarter and require addressing. In respect of procurement and contract management, there is a review

currently taking place which will make recommendations that should address many of the issues raised in the report.

6. What are the legal aspects?

The Monitoring Officer is not persuaded by either of the Managers reasons for not complying with Audits recommendations as identified in paragraphs 8.2.1.

The Fact that resources are tight highlights the need to ensure that any monies owed to the council are invoiced promptly and perused as may be necessary in accordance with the Council's debt Policy.

The refusal to give tenants a copy of a dated photographic condition of a rented property is illogical. These can be appended to the tenancy agreement and signed by the tenant at the same time as the tenancy agreement is signed.

7. Monitoring Officer's comments:

The Monitoring Officer has set out the legal aspects above.

8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management regarding audit recommendations that have not been accepted or those not implemented within a reasonable timescale. The 2016/16 Audit Plan was approved at this Committee on 11th March 2015.

The purpose of Internal Audit is to provide an independent and objective review of the adequacy and effectiveness of the Council's arrangements for internal control, risk management and governance. The activities we audit are given an assurance rating as follows:

Excellent	★★★★★	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	★★★★	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.
Some improvement required	★★★	There is a basic control framework in place, but not all risks are well managed and a number of controls are required to be strengthened.
Significant improvement required	★★	Most of the areas reviewed were not found to be adequately controlled. Risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.
Fundamental weakness	★	Controls are seriously lacking or ineffective in their operation No assurance can be given that the system's objectives will be achieved.

8.1 Work Undertaken

Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

The table is based on the audit plan and the systems grouped into the twelve strategic purposes as per the Corporate Plan.

Progress against the annual audit plan was mainly on target as at 31st December. The table shows that contract management, procurement and people management are overspent, however, as the summary of work completed in Appendix B indicates, a number of significant issues were identified in these areas and warranted additional work. This has been counteracted by transferring audit work on Business Continuity into 2016/17 as procedures are still being established. In addition, work on Payments and Collections (formally OVOD) will be started in 2015/16 but will continue into 2016/17.

Details of the outcomes of audits completed can be found at Appendix B.

8.2. Issues for consideration

8.2.1 Recommendations that were not accepted by management during this quarter:

Housing – Private Sector Leasing

1. Tenant recharges (report ref: 4.7)

Finding

There are currently no procedures in place to recover recharges from tenants. As a result of the monthly monitoring meetings some repairs are being identified for which the tenant is liable for. For the period 22/07/14 to 31/05/15 a total of £7,586.37 tenant recharges were identified. Invoices do not appear to have been raised for any of these.

Audit Recommendations

1. Procedures should be put in place to ensure that invoices are promptly raised to recharge tenants for repairs that they are liable for.
2. These invoices should be regularly monitored and appropriate recovery action taken to recover any outstanding amounts.

Manager's response

The Manager advised that the reason that the recommendation could not be accepted was:

"There is a resource implication for both teams in undertaking this task.

A conscious decision was made to pursue landlord recharges as these tend to be of higher value and also more achievable as they can be deducted direct from rental payments. It has been difficult to pursue tenant recharges; they rarely get the money back as the majority of tenants are on welfare support, are frequently challenged and have insufficient evidence to take the matter further.”

2. Photographic evidence of state of property (report ref: 4.10)

Finding

Photographic evidence of the state of the property is not always obtained before a tenant moves in and therefore not provided to the tenants as part of their inventory.

Audit Recommendations

Photos of the property should be taken just before the tenant moves in and the tenant given copies as their inventory. A copy of the photos should also be held on the 'I' drive.

Manager's response

Although it was agreed that photographic evidence should always be obtained and saved on file, it was not agreed that copies should be given to the tenant. The Manager advised that:

“There were currently insufficient resources for tenants to be visited to ask them to sign to confirm they had seen photos of the property which confirmed its condition.”

8.2.2 Agreed recommendations not implemented within a reasonable time

There are a number of reports with outstanding recommendations that have been outstanding for a significant length of time and although in different reports all relate to the updating of Financial Regulations. Recommendations have been made in various reports to update Financial Regulations, however, these updates have yet to be actioned. Internal Audit were asked to provide suggested updates to Financial Regulations and did so in May 2015, however, Financial Regulations have not been updated since October 2013.

9. How does the decision contribute to the Council's Corporate Plan?

Good governance contributes to the Council's purpose of a “Well Run Council”.

10. What risks are there and how can they be reduced?

N/A

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

N/A

12. Are there any other options?

N/A

Helen Putt & Helen Kelvey
Audit Managers

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275