



Stevenage Borough Council  
Audit Committee Progress Report  
10 September 2012

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve the amendments to the Audit Plan as at 30 August 2012

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# 1 Introduction and Background

## Purpose of Report

- 1.1 To provide Members with:
- a) the progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2011/12 and 2012/13 Internal Audit Plans as at 30 August 2012.
  - b) the findings for the period 1 June 2012 to 30 August 2012.
  - c) the proposed amendments required to the approved Audit Plan.
  - d) the implementation status of previously agreed Audit Recommendations.
  - e) an update on performance management information as at 31 August 2012.

## Background

- 1.2 Internal Audit's Annual Plan for 2012/13 was approved by the Audit Committee at its meeting on 28 March 2012.
- 1.3 The Audit Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 13 June 2012.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

## 2 Audit Plan Update

### Delivery of Audit Plan and Key Audit Findings

- 2.1 As 30 August 2012, all work relating to the 2011-12 Audit Plan had been completed, and 23% of the 2012/13 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated). All of the audit work scheduled in quarters 1 and 2 has commenced. Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 The following 2012/13 reports and assignments have been issued or completed in the period:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Members Locality Budgets	July 12	Substantial	one medium six merits attention

### Proposed Audit Plan Amendments

- 2.3 The following amendments to the Audit Plan have been agreed with the Assistance Director of Finance. They are detailed below for audit committee approval:
- Repairs and maintenance extended follow up; 8 days have been taken from contingency to follow up the recommendations raised by the previous auditors (PKF) and ensure that there are adequate controls over the completion of Housing repairs and maintenance.
  - Officer interests in contracts extended follow up; 8 days have been taken from contingency to follow up previous recommendations and to provide assurance over the arrangements in respect of Stevenage Homes contracts.

### High Priority Recommendations

- 2.4 We are pleased to report that all high priority recommendations previously raised have been implemented.
- 2.5 Members are aware that Stevenage Homes were brought back in house in December 2011. It has been agreed that Members will be informed of progress on implementing all recommendations raised by PKF. This task has been undertaken by the Assistant Director Housing and the Housing Performance and Improvement Manager. Appendix B provides a status update in relation to the four PKF Leasehold Services recommendations.
- 2.6 Internal Audit have followed up the implementation status of the four PKF Repairs and Maintenance recommendations, the audit work is subject to management agreement. When the audit findings have been agreed with Management, the results will then be reported to Members.

Performance Management

- 2.7 The 2012-13 annual performance indicators were approved at the SIAS Board meeting on the 7 March 2012. Targets were also agreed by the SIAS Board for the majority of the performance indicators.
- 2.8 The actual performance for Stevenage against the targets that can be monitored in year is set out in the table below.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target</b>	<b>Actual to 30 August 2012</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	25%	23%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	10%	9%
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	No high priority recs made yet

**APPENDIX A    PROGRESS AGAINST THE 2012/13 AUDIT PLAN AS AT 30 AUGUST 2012**

**2012/13 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Key Financial Systems – 128 days</b>								
Housing Benefits					12	Yes		Planned for Qtr 3 / 4
Payroll					12	Yes		Planned for Qtr 3 / 4
Creditors					12	Yes		Planned for Qtr 3 / 4
Debtors					12	Yes		Planned for Qtr 3 / 4
Main Accounting System					12	Yes		Planned for Qtr 3 / 4
NNDR					12	Yes		Planned for Qtr 3 / 4
Council Tax					12	Yes		Planned for Qtr 3 / 4
Capital Accounting					12	Yes		Planned for Qtr 3 / 4
Cash and Payments					12	Yes		Planned for Qtr 3 / 4
Treasury Management					8	Yes		Planned for Qtr 3 / 4
Housing Rents					12	Yes		Planned for Qtr 3 / 4
<b>Operational Audits – 106 days</b>								
Single Status					8	Yes		Planned for Qtr 3
Working Together Themed Audit					24	Yes	6	Fieldwork in progress
Review of Financial Regulations					5	Yes	4	Drafting Report
Members Locality Budgets	Substantial	0	1	6	10	Yes	10	Final Report issued
Local Community Grants					5	Yes		Planned for Quarter 3
Car Parks Extended Follow Up					12	Yes	3	Fieldwork in progress
Use of Contractors and Consultants					12	Yes	7	Fieldwork in progress
Transfer Station					8	Yes	7	Draft Report issued

**APPENDIX A    PROGRESS AGAINST THE 2012/13 AUDIT PLAN AS AT 30 AUGUST 2012**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Safeguarding					12	Yes	1	In planning
Market Rental Income					10	Yes	3	In planning
<b>Risk Management and Governance – 16 days</b>								
Risk Management					8	Yes		Planned for Qtr 4
Corporate Governance					8	Yes		Planned for Qtr 4
<b>IT Audits – 25 days</b>								
IT Needs and Baseline Assessment					10	PwC		
IT Security					15	PwC		
<b>Procurement – 34 days</b>								
Procurement Baseline Assessment					10	Yes	6	Fieldwork in progress
Buildbase Contract					12	Yes	3	Fieldwork in progress
Decent Homes and Breyers Contract					12	Yes	8	Fieldwork in progress
<b>Counter Fraud – 10 day</b>								
Counter Fraud Baseline Assessment					10	Yes	3	Fieldwork in progress
<b>Follow Up of Previous Audit Report Recommendations – 27 days</b>								
IT Disaster Recovery Follow up	N/A				3	Yes	2	Draft report issued
High Priority Recommendations Quarterly Follow Up					8	Yes	2	
Repairs and Maintenance Extended follow up.					8	Yes	4	Fieldwork in progress
Officer interests in contracts Extended follow up.					8	Yes	1	Fieldwork in progress

**APPENDIX A    PROGRESS AGAINST THE 2012/13 AUDIT PLAN AS AT 30 AUGUST 2012**

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Strategic Support – 46 days</b>								
PKF Handover					2			
Audit Committee					8		3	
External Audit Liaison					4		2	
Annual Report and Head of Internal Audit Opinion 2011/12					5		5	Complete
Monitoring					12		5	
Ad hoc					5			Ad hoc work
SIAS Development					5		5	SBC Contribution
2013/14 Audit Plan					5			
<b>Remaining Contingency</b>					8			To be used to address emerging risks
<b>SBC TOTAL</b>					<b>400</b>		<b>90</b>	



**APPENDIX B IMPLEMENTATION STATUS OF STEVENAGE HOMES RECOMMENDATIONS AS AT 30 AUGUST 2012**

Rec. No.	Para. No.	Recommendation	Associated Risk	Priority	Responsible Officer	Management Response	Implementation date	July 2012 Update	August 2012 Update
<b>Explanations of how leaseholder service charges are calculated</b>									
1	5.3.6	It is recommended that the improvements to the information provided on leaseholder bills and key leaseholder engagement should be undertaken as planned during 2012/13.	Failure to deliver customer service to a good standard.	L	Home Ownership Services Team Manager	<b>Recommendation Agreed:</b> Providing leaseholders with good information is vital to providing a good standard of customer service. Leasehold Service - Review action plan improvements will be put in place during 2012. Descriptions on communal listings to key leaseholders has already begun.	Oct-12	Information on invoices/bills have been amended to ensure details are clearer. L/hs paying by Direct debit (D/D) have commented that they want the invoices to state that they are already paying by D/D. The proposed changes are part of our 2012/13 annual plan. However, note that there are restrictions with IT system, limiting changes that can be made. Key leaseholders have also been invited to join in the estate inspection & walkabouts with Housing advisors.	Required changes have been made to the quarterly service charge demand/invoice bearing in mind direct debit & standing order payers.

**APPENDIX B IMPLEMENTATION STATUS OF STEVENAGE HOMES RECOMMENDATIONS AS AT 30 AUGUST 2012**

Collection of service charges and leaseholder contributions to major works									
2	5.4.12	It is recommended that the working arrangements between the Home Ownership Services Team and the Property and Environment Team BMO and the Investment teams should be reviewed to establish the cause of the delays and inaccuracies in reporting completed works and ensure that there is clarity over the information that is to be provided to the Home Ownership Services Team and the timescales for providing it.	Failure to deliver value for money	M	Home Ownership Services Team Manager/ Assistant Director (Housing)	<b>Recommendation Agreed:</b> Accurate recording and timely billing of recoverable costs will help deliver value for money services. We do not agree with the interpretation of the Customer Scrutiny Panel that £145,000 of potentially recoverable costs were not charged. (See paragraph 5.4.7.). Reviewing the working arrangements and ensuring clarity of information is important. This area will be reviewed in the Customer Scrutiny Panel action plan (items 9 & 11.) Copy of the plan is attached as Appendix C.	Jul-12	Training has been provided to staff members at CSC, BMO & Investment in the past. More S20 training is been scheduled (possibly include S20 in induction notes) Liaison with team leaders in BMO, CSC & Investment raising awareness of the necessity to comply with legislation that will enable us to recover costs. Forms (templates) have been issued to relevant officers to provide dates of commencement and estimated period/time of work, to enable HOST to follow-up and raise invoice within prescribed time.	Training notes have been produced and dates are currently being discussed with relevant service managers and team leaders. There are 2 options (i) A member of HOST carry out training. (Resource constraint) or (ii) Team leader/service manager take team through training notes.

**APPENDIX B IMPLEMENTATION STATUS OF STEVENAGE HOMES RECOMMENDATIONS AS AT 30 AUGUST 2012**

Collection of service charges and leaseholder contributions to major works									
3	5.4.15	It is recommended that the management information systems maintained by the Home Ownership Services Team should be reviewed to ensure that they provide the most effective support to the delivery of the service.	Failure to deliver value for money	M	Home Ownership Services Manager	<b>Recommendation Agreed:</b> Data is forwarded to HOST via MSExcel, which is then broken down further for ease of understanding for leaseholders. An audit of the management information systems by the E-Government & Business Systems Team during this financial year will assist in identifying areas and priorities for improvement.	Dec-12	This task relates to SBC audit of the management information systems by the E- Government & Business Systems Team. It is not within our remit to change the format of data received from other teams, being mindful that the corporate systems in place produce and saves reports in a particular format (excel) which is suitable for ease of editing.	This task relates to SBC audit of the management information systems by the E- Government & Business Systems Team. It is not within our remit to change the format of data received from other teams, being mindful that the corporate systems in place produce and saves reports in a particular format (excel) which is suitable for ease of editing.

**APPENDIX B IMPLEMENTATION STATUS OF STEVENAGE HOMES RECOMMENDATIONS AS AT 30 AUGUST 2012**

Collection of service charges and leaseholder contributions to major works									
4	5.4.23	It is recommended that a review should be undertaken of the resources available within the Home Ownership Services Team and the responsibilities of officers within the Team and others including the Council's Legal Team and the Income Maximisation Team clarified to ensure that unnecessary delays in collecting arrears do not arise in future.	Failure to deliver value for money	H	Home Ownership Services Team Manager/ Principal Solicitor	<b>Recommendation Agreed:</b> Due priority should be given to arrears casework. HOST members are aware of their responsibilities and carry these out accordingly. Collection of service charges sits under the remit of the Income Maximisation (IM) Team and not within HOST. This has been reviewed and points agreed at a meeting with SBC Legal and IM, (HOST present) on procedures and processes to overcome dealing with and unnecessary delays in escalating arrears for both service charges and major works. In March 2012 a period of testing involving the legal team in addressing arrears cases of under £350 value began. (Previously involved in over £350 value only). The cost versus benefit of earlier involvement will be reviewed in July. As indicated in performance reports to management meetings the 80% target set for recovery of major works charges appears invalid given the charging methods and payment options. Work is required to ensure a valid collection rate taking account of payment options and payment profile. For 2012/13 a collection rate target of 50% is to be set.	Jul-12	Major Works arrears and collection is challenging as there is no set process for recovery. This is picked up when service charge arrears are monitored. A major works arrears escalation process and procedure is being drafted and housing IT are drafting and building up a DTI (automation process) for invoicing and arrears chasing / collection. Leaseholders have the option/provision of spreading/ repaying M/W over a 5-year period a factor which is not considered in the profiling at the moment.	HOST members are aware of their responsibilities and carry these out accordingly. The service charge (S/C) and major works (M/W) arrears processes are currently being reviewed as per July 2012 update and pending the employment of a full time service charge officer within the Income Team, dedicated to chasing S/C and M/W arrears solely for leaseholders. The economics of enforcement on a small debt is disproportionate as the enforcement fee alone is £100. This does not include SBC officer time in issuing proceedings demands and preparing for court.

