

BRECKLAND COUNCIL

OVERVIEW AND SCRUTINY COMMISSION: 24 MAY 2007

REPORT OF THE OPERATIONS MANAGER, CABINET OFFICE **(Author: Sandra King – Audit Manager, South Norfolk Council)**

ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY- 2006/07

Summary: This report has been prepared in accordance with the requirements of the Accounts and Audit Regulations 2003, the Accounts and Audit Regulations (Amendment) (England) 2006 and the CIPFA Code of Practice for Internal Audit in Local Government 2006.

The report contains an opinion as to the adequacy and effectiveness of the Council's systems of internal control for 2006/07, comments on Internal Audit activity in 2006/07 delivered against the Annual Audit Plan and also provides performance information for the Internal Audit Service.

1 INTRODUCTION/BACKGROUND

- 1.1 The Internal Audit Service at Breckland Council is delivered by means of a partnership arrangement between Breckland, Broadland and South Norfolk Councils. All three Councils have signed an agreement, under which South Norfolk Council procures the services from an external contractor on behalf of all three. The contractor is currently Bentley Jennison Risk Management Ltd. This organisation has been operating in the role since 23 September 2005, when it became necessary to novate the contract after the original service provider went into administration. The outsourcing of audit assignments has been ongoing since 1 April 2003. The original contract was let for a period of 3 years and was subsequently extended for a further twelve months from 1 April 2006 to 31 March 2007. A decision was then taken at Cabinet on 12 December 2006 to continue to retain the external contractor for an additional six months from 1 April 2007, after which the contract would be re-tendered.
- 1.2 The Audit Manager of South Norfolk Council has continued to be responsible for managing the delivery of the Internal Audit Service at Breckland Council; acts in the capacity of Contract Manager and serves as the main point of contact with the external contractor. A total of 56 days was spent providing audit management support on behalf of the Council during 2006/07.
- 1.3 There has been a change in management of the Internal Audit Service during 2006/07. The original post holder retired in mid June 2006 although he continued to manage the service on a part-time consultancy basis until the current Audit Manager joined the audit partnership on 2 October 2006.
- 1.4 In April/May 2006, there were major problems with the external contractor regarding the resourcing of the Annual Audit Plan for 2006/07, culminating in an exchange of correspondence and meetings between the then Audit Manager and Bentley Jennison's nominated Client Partner and Client Manager. Resourcing issues, caused by staff sickness and turnover, were not fully resolved until the autumn, by which time, some slippage against planned reviews had occurred. This, in turn, has had an adverse impact on performance indicators for the Internal Audit Service and completing individual audit assignments by 31 March 2007. Moreover, the delayed delivery of planned audits in parallel with the letting of the new Internal Audit Services contract have caused significant work pressures for the current Audit Manager.
- 1.5 In the course of 2006/07, it has also been necessary to respond to a review of Internal Audit by External Audit. This piece of work is performed on a 3-yearly cycle and early feedback suggested that further realignment to CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom ("the Code") was

required. The relevant work was undertaken in March 2007 and approved by the Overview and Scrutiny Commission on 5 April 2007. The work done in this area follows best practice advocated by the new Code, which was published in December 2006.

- 1.6 Finally, the Accounts and Audit Regulations 2003 were revised in April 2006 by the Accounts and Audit (Amendment) (England) Regulations 2006 and one of the amended regulations (No.6) now requires bodies to review the effectiveness of their system of Internal Audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4. Detailed Guidance by CIPFA regarding a review of effectiveness has now been published (last updated at the end of January 2007) and this report will comment on work done in this direction to date.

2 KEY DECISION

- 2.1 This is not a key decision.

3 COUNCIL PRIORITIES

- 3.1 The matters raised in this report fall within the following Council priorities:
- A safe and healthy environment
 - A well planned place to live which encourages vibrant communities
 - A prosperous place to live and work

4 OPINION OF THE AUDIT MANAGER ON THE OVERALL ADEQUACY OF THE INTERNAL CONTROL ENVIRONMENT AT BRECKLAND COUNCIL

- 4.1 The overall standards of internal control are satisfactory, based upon the internal audit work undertaken in relation to the 2006/07 Annual Audit Plan. The overall position is that, whilst recommendations have been made to improve procedures and controls in a number of areas, there were no instances in which internal control problems created significant risks for Council activities or services. Furthermore, it was pleasing to note that managers were committed to addressing control issues and/or adopt best practice recommended by Internal Audit, within a 2-5 month timescale of the issue of final audit reports.

5 ISSUES RELEVANT TO THE STATEMENT ON INTERNAL CONTROL

- 5.1 In accordance with Regulation 4 of the Account and Audit Regulations 2003, the Council is responsible "*for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk*". To confirm compliance with this statutory duty, a Statement on Internal Control has to be published each year with the Council's financial statements and should focus on:
- Reviewing the accuracy of internal control arrangements;
 - Recognising where arrangements need to be improved; and,
 - Communicating to users and stakeholders what the Council plans to do to improve the arrangements and how the planned improvements in internal control should lead to better quality public services and best use of resources.
- 5.2 Amended Account and Audit Regulations issued in April 2006 also now require the findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole.
- 5.3 To assist the process outlined in 5.1 and 5.2 above, Internal Audit has recently undertaken work to:
- Assess the current position prior to preparing the Statement on Internal Control, taking into account the findings of internal audit reviews conducted during 2006/07.
 - Examine the operation of key controls for each of the main financial systems not subject to systems audit review in the course of the financial year.

- Revisit the status of high priority audit recommendations previously accepted by management in order to gauge the extent to which the internal control environment is being further developed by management to address the risks facing their services.

5.4 Review work performed has established that the majority of internal controls are in existence and appear to be operating in a satisfactory manner. It was confirmed that management have put in place, and, in some cases, are further developing measures which ensure that audit recommendations are properly addressed, and hence, focused action has been taken during the year to strengthen the internal control environment at the Council.

5.5 However, it is also important to note that a number of high priority recommendations have been made relating to systems audits where draft and/or final audit reports have been issued after 31 March 2007. The systems affected are as follows and have generated a total of 12 High Priority recommendations:

- Housing and Council Tax Benefit (1 High Priority recommendation);
- Council Tax and NNDR (9 High Priority recommendations); and,
- Anglia Revenues Partnership – Management Arrangements (2 High Priority recommendations).

Particular attention should be paid to the action point raised in the Council Tax and NNDR report concerning the lack of formal evidence to support the management checking processes.

5.6 Audit work to support the preparation of the Statement on Internal Control additionally considered the quality of Assurance Statements which have been submitted by directors and senior officers. Although we were able to confirm that a routine has now been established for the generation of quarterly Assurance Statements, it is clear from the documentation provided that the officers generating these Statements have some concerns in the area of embedding risk management, which also need to be considered when formulating the Statement on Internal Control for 2006/07.

5.7 There were also 2 issues recorded, where assurance could not be provided by Internal Audit with regards to key controls for sample testing of daily amendments (generating exemptions/discounts/relief) in relation to Council Tax/Council Tax Benefits, and, hierarchical password access to the Payroll system. With reference to the latter, it has not been possible to check access controls with regards to the system or the Payroll Provider's own audit arrangements.

6 AUDIT WORK UNDERTAKEN IN 2006/07

6.1 The table below shows in summary the audit coverage that was planned compared with that which has been delivered, whilst a more detailed overview is attached at Appendix 1 to the report, itemising the current status of individual audit assignments. It is important to note that although some audits are still waiting to be finalised, the planned quota of days specified to deliver this work will not be exceeded. This is based on the fact that the external contractor has confirmed delivery of outstanding work within the original job budgets set.

Description	Days planned for 2006/07	Days delivered	% of planned work delivered
Systems audit	189	189	100%
Computer audit	26	26	100%
Total	215	215	100%
Extra work		23.79	

6.2 There has been no deviation from the planned audit requirements approved by the Overview and Scrutiny Commission on 23 February 2006. In terms of systems audit work, the current position is such that 67% of assignments are subject to final audit reports, 25% of reviews are covered by draft audit reports and in the case of the remaining 8% (relating to a single audit), a draft report is under preparation and

expected week commencing 21 May 2007 – the review involved here relates to the Leisure Private Finance Initiative (PFI) project between Breckland Council and Parkwood Holdings. In order to progress two urgent requests for additional audit input in Quarter 1 of 2007/08, to support the Anglia Revenues Partnership and the Strategic Alliance, the PFI review was temporarily suspended but has now been resumed and as stated above, a draft report should be available shortly.

- 6.3 With regards to computer audit work, all work identified in the Annual Audit Plan for 2006/07 has been delivered.
- 6.4 As can be seen in the table at 6.1 above and at Appendix 1 to the report, two other ad hoc audits were performed in 2006/07, which were additional to the approved Annual Audit Plan. These involved Gateway reviews of Stages 0 – 2 and 3 – 4, checking compliance with best practice guidance published by the Office of Government Commerce (OGC), in order to provide assurance that procurement should proceed regarding Project Customer (formerly Project Elena).
- 6.5 Attached at Appendix 2 to this report are copies of the abridged Management Summaries of audit reports which have been finalised since the last Audit Progress Report was presented to the Overview and Scrutiny Commission on 11 January 2007.

7 PERFORMANCE OF THE INTERNAL AUDIT SERVICE

- 7.1 In addition to ensuring delivery of specific work in the Annual Audit Plan, the internal audit contract provides for the service to be measured against the following indicators, as tabulated below.

Description of indicator	Target	Achievement 2005/06	Achievement 2006/07
Work completed compared with that in the Audit Plan	100%	91.2%	100%
Average delay in issuing draft audit reports	10 working days	11.6 working days	18.4 working days
Average delay in issuing final audit reports	15 working days	15.8 working days	17.4 working days
Average delay between completion of work and issue of final report	25 working days	27.4 working days	35.8 working days
Percentage of audit recommendations accepted	90%	98.1%	98.8%

- 7.2 It is evident from the above table that reporting targets have not been met in 2006/07 and when comparing with the previous financial year, the timescales involved have actually lengthened. The poor performance recorded here, however, is not entirely attributable to the contractor. There have been occasions where the Audit Manager was not able to review draft reports within the prescribed contract timescales prior to their formal issue, and this resulted in some delays. With reference to the finalising of audit reports, there was also one particular case where client officer sickness impacted on performance targets, as it was not possible to obtain their responses to audit findings and recommendations and hence, convert the draft to a final report. Eventually, the Chief Accountant intervened and clarified a number of points, which then allowed the final audit report to be produced.

8 IMPLEMENTATION OF AUDIT RECOMMENDATIONS ACCEPTED BY OFFICERS

- 8.1 It is important to ensure that audit recommendations accepted by officers are actually implemented, if the internal control environment is to benefit from further enhancements. To support the Overview and Scrutiny Commission in its role of overseeing the implementation of agreed actions, the current position regarding those recommendations rated as high priority are listed in the table below.

Number of high priority recommendations due for implementation by 31 March 2007	13
Number actually implemented	13

9 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

9.1 This is a new reporting requirement, as mentioned earlier in the report at paragraph 1.6. The Council or a Committee of the Council are responsible for reviewing the system of Internal Audit currently in place. CIPFA has issued some guidance on conducting such a review but stipulates that the Head of Internal Audit must not be allowed to influence the direction or extent of the review. It is however feasible for the Head of Internal Audit to carry out a self-assessment, the outcomes of which can then be considered by the independently appointed review team.

9.2 The following information is therefore provided to assist an independent review of systems of Internal Audit cover:

- In the latter part of 2006/07, External Audit carried out a review of Internal Audit and concluded that “*Internal Audit is compliant with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006. However, a number of areas have been identified for further improvement.*”
- As a consequence of the above, Internal Audit working practices have been substantially realigned to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006 to facilitate greater comparison and clarity. This resulted in the presentation of new Terms of Reference, a Code of Ethics and Audit Strategy to the Overview and Scrutiny Commission, which were duly approved on 5 April 2007. This course of action has effectively ensured that Internal Audit at Breckland Council is now adopting the “proper practices” set out in the Accounts and Audit Regulations.
- In addition to the above, in January 2007, the external audit contractor published a Client Briefing mapping Bentley Jennison’s risk based internal audit methodology against the CIPFA Code of Practice.
- Good feedback has been received from the Section 151 Officer at Breckland during 2006/07, confirming that Internal Audit Service delivery has met required standards (i.e. providing reliable assurance on internal control) and as a follow on, a further 70 days have been requested, in addition to the original provisions made in the Strategic Audit Plan for 2007/08 to 2011/12, to undertake Gateway reviews linked to 7 specified work streams during 2007/08.
- There have been no adverse comments received from External Audit regarding Internal Audit work linked to International Auditing Standards, involving the flowcharting of fundamental financial systems and the testing of key controls, which suggests that External Audit have been able to place some reliance on the work of Internal Audit.
- There has been regular reporting throughout the financial year to the Overview and Scrutiny Commission and Cabinet regarding Internal Audit activity and the re-tendering of the Internal Audit Services contract. In addition, there have been regularly monthly meetings with the Section 151 Officer regarding progress against the Annual Audit Plan as well as periodic consultation on the refinement of the new Internal Audit Services Specification, which has necessitated a complete reassessment of working practices.
- Evidence to support the review of the system of Internal Audit includes the production of:
 - The Annual Report and Opinion of the Head of Internal Audit;
 - Audit Progress Reports;
 - Reports on individual audit assignments which detail significant findings and recommendations to overcome internal control weaknesses identified;
 - Strategic and Annual Audit Plans; and,
 - Key performance indicators on audit inputs and outputs.

9.3 Since January 2007, considerable audit resources have been invested in developing the new Internal Audit Services contract and a number of new quality assurance requirements have been defined to further enhance service delivery.

10 OPTIONS AVAILABLE

10.1 To receive and note the contents of this report.

11 REASONS FOR RECOMMENDATIONS

11.1 The remit of the Overview and Scrutiny Commission includes a duty to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk. There is a further duty to consider the Annual Report of the Audit Manager, which, in turn, informs the Council's Statement on Internal Control for 2006/07.

12 RECOMMENDATIONS

- (1) To receive and note the Annual Report of the Audit Manager.
- (2) To note that the overall standards of internal control were satisfactory during 2006/07.
- (3) To note that the satisfactory opinion on internal control is taken forward into the Council's Statement on Internal Control for 2006/07 that is presented to the Overview and Scrutiny Commission.
- (4) To note that initial feedback on the effectiveness of Internal Audit indicates enhancements are being made to service delivery and that closer adherence to the Code of Practice for Internal Audit in Local Government in the United Kingdom is currently ongoing.

Appendices:

Appendix 1 Audit work delivered compared with the Annual Audit Plan for 2006/07

Appendix 2 Abridged Management Summaries of Audit Reports (where finalised)

AUDIT WORK DELIVERED COMPARED WITH THE ANNUAL AUDIT PLAN FOR 2006/07

Project description	Days planned	Days delivered	Status
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PLANNED WORK - SYSTEMS AUDIT

Work to support Statement on Internal Control	10	10	Completed. Final Report issued 13 July 2006
Performance Indicator quality checks – Phase 1	6	6	Completed. Final Report issued 19 June 2006
Performance Indicator quality checks – Phase 2	4	4	Completed. Final Report issued 12 December 2006
Property Management (including Council Offices) and Economic Development	25	25	Completed. Final Report issued 17 October 2006
Payroll and Human Resources	20	20	Completed. Final Report issued 21 November 2006
Homelessness, Housing Strategy, Housing Repair Loans & Disabled Facilities Grants**	25	25	Completed. Final Report issued 2 March 2007
Housing and Council Tax Benefit**	25	25	Completed. Final Report issued 9 May 2007
Electronic Ordering and Payments, Insurances, Officers' expenses, car loans and leased cars	20	20	Draft Report to be issued shortly
Leisure PFI	10	10	Draft Report under preparation
Compliance with International Auditing Standards	10	10	Completed 1 May 2007 and files handed over to External Audit
Anglia Revenue Partnership – Management Arrangements	10	10	Draft Report to be issued shortly
Council Tax/ National Non Domestic Rates – Anglia Revenues Partnership	24	24	Draft Report issued 15 May 2007
TOTAL SYSTEMS AUDIT	189	189	

PLANNED WORK - COMPUTER AUDIT

Computer Audit Follow Up on 2004/05 and 2005/06 reviews	6	6	Follow Up completed
Financial Management Information System Application Review	10	10	Completed. Final Report issued 2 November 2006
Business Continuity and Disaster Recovery**	10	10	Completed. Final Report issued 14 May 2007
TOTAL COMPUTER AUDIT	26	26	

EXTRA WORK

Gateway Work:			
Gateway Reviews Stages 0 –2		12	Completed. Final Report issued 24 May 2006
Strategic Alliance Project Create (formerly Project Elena) Review Stages 3 & 4**		11.79	Completed. Final Report issued 23 March 2007
TOTAL EXTRA WORK		23.79	

**Abridged Management Summaries attached for information at Appendix 2.

Audit of Strategic Alliance – Project Customer (formerly Project Elena)

– Review Stages 3 & 4 of Stages 0 - 5

Report No. BRK/06/15 issued 23 March 2007

Management Summary (abridged)

Audit Opinion

Despite the change of preferred bidder, it is clear that the main concerns raised during the previous review were being/have been addressed, particularly with regards governance and project management. It is also clear that Capita's bid is more conventional with clear exit strategies in place should the Council not wish to proceed during various stages of particular work packages.

It is clear however, that some risk is attached to the project in terms of Capita actually realising the efficiency/profit gains, despite clearly defined expectations in terms of cost and deliverability in the Agreement, which, along with improving services, is fundamental in the success of the project. Whilst Capita have also identified the potential for partnership income of £9m (excluding capital investment) over the duration of the contract, it is not contractual. Furthermore, they have not committed to the percentage (%) split between them and the Council on trading profits (£), although these are negotiable for each work package. Therefore, an assumption was made using a 50/50 split, which when profiled over the 7 years of the contract, shows that the Council will not break even until Year 4 (of 7), although this excludes repayments to the Council's General Fund. Based on the profile, real profits will not be realised until years 6 & 7 on the assumption of efficiency gains and realisation of trading opportunities, which, should they not materialise, could expose the whole Project to failure.

Whilst some doubts exist over the sustainability of the budget of £580,650, (excluding the £479,628 for initial investment with Capita and for controlled release of investment for business cases), it is anticipated that business cases will be implemented as soon as practicable in order to start obtaining efficiencies and profit gains at the earliest opportunity. Consequently it is considered essential that the planned review as at 31.03.07, which will revisit the budget and the effect on the Council's structure in respect of implementing each business case, does take place so as to ensure sufficient funding exists and moreover, that the Council is capable of implementing any proposed changes.

The appointment of an experienced Finance Officer is seen as a key appointment and ideally needs to be in place prior to receipt of the first feasibility study or soon after.

It is also worth noting that some elements of 'Gateway' review Stage 4 would be more effectively realised once the first feasibility studies/business cases are received due to the currently unforeseen detail/impacts on the Council, contained therein.

Recommendations

The number of recommendations made is shown overleaf.

Priority rating	Number of recommendations
High	2
Medium	1
Low	0

The recommendations rated as “High” were:

- An appointment to the post of Finance Officer should be addressed as soon as practicable.
- The review due as at (or soon after) 31st March 2007 should take place in order to ensure sufficient funds are available in the longer term and to ensure impacts on the Council’s existing structure through efficiencies/profit gains are identified and promptly addressed.

Latest Information on the Implementation of Agreed Recommendations

All 3 recommendations have been implemented.

With reference to the 2 “High” priority recommendations:

- We have been informed by the Chief Accountant (& Responsible Officer for Project Assurance) that the Finance Officer support post was filled on 10th December 2006. The current post holder is due to leave at the end of June 2007. Discussions are currently in progress regarding secondment opportunities from within Finance to continue the role. If a suitable arrangement is not possible, then the post will either be advertised or go to an agency. Adequate budget provisions have been made for this post.
- Costs and benefits will be identified when each Full Business Case is considered to ensure that sufficient funds are identified to implement proposals and that efficiencies and gains are achievable and sustainable within the medium term budget plan. The budget monitoring report seen as part of the audit follow-up process shows how the project management element of the project has been resourced; the control amount being £1.25m approved by the Council to cover the period up to 31st March 2008.

Audit review of Homelessness, Housing Strategy, Housing Repair Loans & Disabled Facilities Grants

Report No. BRK/07/06 issued 2 March 2007

Management Summary (abridged)

Audit Opinion

Homelessness

This review established that in the majority of areas covered controls were generally operating satisfactorily. However, whilst accepting that recent improvements in control over the recovery of outstanding loans under the rent deposit loan scheme (an initiative to help prevent homelessness) have been made, there is concern that recovery action historically has been weak resulting in some £23.4k remaining outstanding from £28k paid out under this scheme. This does give some cause for concern even when acknowledging that the scheme is more cost effective than placing an applicant in short term accommodation. Similarly, weaknesses were evident over the recovery and monitoring of charges for those placed in temporary accommodation.

The absence of supporting documentation also meant that it was not possible to provide the necessary assurance that terms and conditions are confirmed at the time of booking persons into temporary accommodation.

Other issues were identified where controls should be strengthened, in particular ensuring all relevant evidence is obtained on file over the homeless decision making process, the making of home visits to clients housed in bed and breakfast establishments and the processing of housing benefit claims from clients housed in temporary accommodation. The audit also revealed some scope for further operational enhancements including the development of call-off contracts with private sector landlords; the raising of purchase orders for all Bed & Breakfast accommodation, and carrying out 6-monthly reviews of temporary accommodation charges to ensure that they reflect market prices.

It is hoped that the recent strengthening of resources within the Homelessness team will enable the required actions outlined above, to be taken to improve existing internal controls. In addition, the anticipated offer of accommodation units by Pedders Way Housing Association will reduce the need to use bed and breakfast accommodation as will the implementation of the various housing initiatives being adopted.

Housing Strategy

The review did not identify any issues of concern. Controls were found to be operating satisfactorily in that all the recommendations made by the Audit Commission following their review in July 2005 were either being or had been addressed. The adoption of a Housing Strategy Action Plan (2005-2010); reviewed during 2006, was also evident.

Housing Repair Loans/Disabled Facilities Grants

Whilst no major issues of concern were noted, the review did highlight the absence of minuting quarterly Reporting Clinics used for monitoring the Key Performance Indicators over grant/loan activity. The Strategic Housing Manager acknowledged the need for these meetings to be minuted in future as evidence of ongoing review.

Recommendations

The number of recommendations made is shown overleaf.

Priority rating	Number of recommendations
High	5
Medium	4
Low	0

There were 5 high priority recommendations arising from this review as follows:

Homelessness

- Improved control is required over the recovery of charges due to the Council for clients placed in B&B and hostel accommodation. This should include a clear audit trail of actual cases, action taken to recover charges and evidence of independent check to confirm arrangements are in place and operating effectively.
- Housing Advisory Officers should ensure that supporting evidence is available on the case file when a decision on homelessness has been reached and that all necessary confirmations have been received. Once complete, all Housing Decision Summaries should be countersigned by a senior officer as evidence of independent review.
- The Authority should use call-off contracts with its private sector landlords or at the very least obtain documentary evidence of terms and conditions for each placement.
- Purchase orders should be raised for all Bed & Breakfast accommodation.
- Where possible, all applicants should be requested to repay their loans via Standing Order or Direct Debit. Nevertheless, whichever method of repayment is agreed with the applicant, Strategic Housing should liaise with Finance and agree a more robust system for recovering outstanding rent deposit loans both for existing loans and for new cases. This should include the production of monthly monitoring reports to be reviewed and signed off by either the Principal Housing Officer or Strategic Housing Manager to verify that action is being taken on all cases where applicants have defaulted on their repayments.

Latest Information on the Implementation of Agreed Recommendations

All 9 recommendations have been actioned.

With regards to the 5 “High” priority recommendations:

- A number of initiatives have been put forward to improve control over the recovery of charges due to the Council for clients placed in B&B and hostel accommodation which include:
 - Provision of a bank Pay Point card to be given to clients;
 - The debts to be recorded and monitored via the Council’s Sundry Debtor’s system; and,
 - A hand delivered ‘warning’ letter to all clients more than two weeks in arrears.
- The Principal Housing Officer has confirmed that Housing Advisory Officers now ensure that supporting evidence is available on the case file when decisions are reached and that all necessary confirmations have been received.
- Service Level Agreements are being drawn up and will be circulated to the relevant Private Sector landlords. The agreements will include terms and conditions for each placement.
- Assurance has been given by the Principal Housing Officer that purchase orders are now raised for all B&B accommodation.
- Procedures are being drafted to cover the recovery of such loans.

Audit review of Housing and Council Tax Benefit

Report No. BRK/07/08 issued 9 May 2007

Management Summary (abridged)

Audit Opinion

We evaluated the key expected controls contained in the Audit Brief and found that the design of the system of control and compliance with them was generally satisfactory.

We found no examples of incorrectly assessed or calculated claims in the samples selected and tested although did note a couple of cases where further evidence is required to confirm proof of capital (Key Control C, ref. C.5).

It is clear that the ARP is performing well, as indicated in its performance indicators, and that standards are being maintained despite the impact on resources in gearing up for the expansion of the Partnership from 1st April 2007.

However, some areas where improved control could be achieved were noted. Our main concern is the lack of any coverage in the existing Disaster Recovery Plan to ensure adequate arrangements are in place for the recovery of the DIP system (CAMINO) in the event of a major incident resulting in the loss of the system. This could result in the irrecoverable loss of data for supporting the majority of claims run on Academy. Therefore, management needs to address this as a matter of urgency and then to ensure arrangements are put in place for testing contingency arrangements in terms of data recovery.

Written procedures for post opening and for the receipt and return of valuables were enhanced during the course of the review and we have made recommendations that these and the procedures for the recovery and writing off of overpayments are included in the ACS Office manual, which is accessible to all staff as 'Read Only' and with amendments actioned through a controlled environment.

We have found two cases of overpayments amounting to £985 that were submitted to the Chief Accountant for write off in January 2007, but were later written back to the system, following subsequent receipt of payment. Whilst only 2 cases were involved, this does give some cause for concern since overpayments should not be submitted for write off unless all appropriate recovery action has been taken and, consequently, it has not proved possible to secure repayment of the debt.

We also established that formal training for all staff, completed on an annual basis, was overdue with the last training completed in January 2006. The impact with the expansion of the ARP in April 2007 has contributed to the slight delay with the training programme. Nevertheless, training needs to be completed soon to give some assurance that all staff are aware of current practices despite risks being mitigated with appropriate training given to all new starters and updates conveyed through regular team meetings.

System enhancements have been introduced in other areas during the course of the review including the recording of all fraud referrals rather than just those resulting in a fraud investigation and in the monitoring of HBMS data matching. Changes are also pending over the intervention process, effective from April 2007, following guidance issued by the DWP. However, there is still a need to fully utilise the Intervention facility on Academy which is still 'ongoing'.

Finally, further action is still required in relation to 2 outstanding agreed actions as detailed in the previous audit report issued in February 2006, before full compliance can be achieved with the DWP's Enablers.

Recommendations

The number of recommendations made is shown below.

Priority rating	Number of recommendations
High	1
Medium	9
Low	1

There was 1 high priority recommendation arising from this review, namely:

- Provisions need to be put in place, preferably through the Disaster Recovery Plan, to ensure adequate arrangements are in place for the recovery of the DIP system (CAMINO) in the event of systems failure or other loss of data. Furthermore, the new system should be programmed for testing, in terms of data recovery, at the earliest opportunity.

Latest Information on the Implementation of Agreed Recommendations

The timescale for the implementation of the agreed actions ranges from 31st May 2007 to 31st July 2007. Follow up of the status of the recommendations will therefore be undertaken later in the financial year.

Audit review of Business Continuity and IT Disaster Recovery Planning

Report No. BRK/07/11 issued 14 May 2007

Management Summary (abridged)

Audit Opinion

The Council has made some progress in the area of business continuity and IT disaster recovery planning since our last audit review of arrangements but there is still considerable work to be done in this area.

An Emergency Response Plan has been documented and is supported by a draft Corporate Business Continuity Plan (BCP). A Business Continuity Plan has not been completed to cover IT services, although documentation is in place for invoking standby facilities for some key systems.

The challenge for the Council is to complete outstanding work in this area and pull together all plans to ensure a co-ordinated and coherent approach to business continuity and disaster recover across the organisation.

The audit identified seven areas for improvement, as detailed below:

- Completion of the Business Impact Analysis and IT risk assessment.
- The need to ratify the IT disaster recovery plan and support this with team based plans.
- The requirement to securely store the IT DRP once ratified.
- IT DRP responsibilities to be assigned to the IT team and other business units.
- Testing the IT DRP and business continuity plans.
- A more joined up approach to business continuity planning and IT DRP to ensure spheres of responsibility are clear and the necessary interfaces put in place.
- Protection for media being transferred to the remote storage facility.

Recommendations

The number of recommendations made is shown below.

Priority rating	Number of recommendations
High	5
Medium	2
Low	0

The recommendations rated as "High" were:

- The corporate Business Impact Analysis and IT risk assessments should be completed at the earliest opportunity.
- The Council should ratify an IT Disaster Recovery Plan and support this with team based plans.
- IT Disaster Recovery Plan responsibilities should be assigned to the IT Team and to other business units, supporting these staff with appropriate training.
- Once ratified, arrangements should be made for testing of the IT DRP and the BCP.
- The Civil Contingencies Officer and ICT Manager, working with Steria, should establish a programme that ensures respective spheres of responsibility are agreed

and that necessary interfaces and relationships are put in place as part of a robust operational framework.

Business Continuity Planning was audited at Breckland DC in 2004 and this identified six High priority recommendations. Audit Follow Up work in September 2005 and January 2007 confirmed that four recommendations had been actioned but work was still ongoing to complete the remaining two.

Latest Information on the Implementation of Agreed Recommendations

The timescale for the implementation of the agreed actions ranges from July 2007 to October 2007. Follow up of the status of the recommendations will therefore be undertaken later in the financial year.