

Audit Committee – 26th July 2007

6. Update on Homelessness and Lufton Stores Audit Reports

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Purpose of the Report

This report has been submitted on behalf of the Corporate Governance Group as requested by the members of the Audit Committee following the SWAP Auditor's Annual Report in June 2007. The report outlined that no assurances could be given to either the Homelessness Service or the Lufton Stores Service. This report outlines the actions taken to date to improve the processes and controls since the reviews.

Recommendation

To note the actions to date.

Background

The South West Audit Partnership (SWAP) reported their findings of reviews of Homelessness in March 2007 and Lufton Stores in May 2007. As part of the Auditor's Opinion, each review is given a 'star' rating offering management the following levels of assurance:

▲★★★★ **Full** - The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.

▲★★★★ **Reasonable** - Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★ **Partial** - Most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

▲★★★ **None** - The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Both the Lufton Stores Service and Homelessness Service were allocated "None" in terms of levels of assurance.

Gerry Cox as the Head of SWAP was in attendance at the previous Audit Committee and contextually added the following at that meeting when the overall position for SSDC was discussed "The Head of the Internal Audit Partnership explained the context in which these issues had arisen. He indicated that although weaknesses had been identified, the actual delivery of the service was being carried out. He also indicated that once service managers had been made aware of the problems there had been a robust response and issues were being addressed actively".

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When final reports are issued they include a plan that is agreed by each manager outlining the actions that will be taken and a target date agreed for completion. As part of the improvements agreed by the Corporate Governance Group and SWAP, managers will be required in future to return a monthly monitoring form to audit to give a regular update of the status of actions within the agreed action plans.

A follow up review will also be carried out on these two services before the year-end. The Audit Committee will be informed of any outstanding actions resulting from that review that are not followed up by the agreed action dates.

The Corporate Governance Group meets regularly with Gerry Cox as the Head of SWAP to discuss any issues arising from recent audits. The group is made up of the Chief Executive, the Head of Legal and Democratic Services, and the Head of Finance as the three statutory officers charged with governance arrangements. This group has ensured that swift action can be taken where necessary and that improvements are monitored and in place.

Homelessness Report

The overall conclusion for Homelessness was as follows:

“I can not provide assurance for the Homelessness Service as the areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

This opinion for the Homelessness Service is based primarily on the lack of adequate control over the financial administration and the level of income due for the homelessness service that appears not to have been recorded, invoiced or received.

Action has already been taken to address these issues, since an initial draft was issued, and resource identified within the restructure to deal with and monitor this more closely. It is intended that a follow up review will be completed in September to assess and report on the effectiveness of the agreed actions”.

The main issues for Homelessness included:

- Poor processes for invoicing, collection, monitoring, and recovery of money outstanding;
- Poor record keeping;
- No evaluation of the Homelessness Prevention Fund nor formal approval for its continuation;
- Issues around staff and customer safety, and data protection;
- Inaccuracy of the budget compared to likely year-end costs.

However it should also be noted that good aspects of the service were recorded as:

- Legislation is complied with;
- Policies and priorities are directly linked to SSDC’s Corporate Plan;

- Homelessness Prevention has significantly reduced the need for Bed & Breakfast;
- Well valued advice service for potentially homeless persons;
- Housing Corporation Funding secured for £6.9m which will enable more affordable housing.

Homelessness – Actions to Date

The Corporate Governance Group reviewed these findings as well as the Finance, Audit, and Homelessness Teams meeting to agree a way forward. The main improvements to date have been:

- The Head of Revenues and Benefits temporarily joined the team in May 2007 to improve processes, procedures, and performance including assisting with some re-engineering of processes. He reports, at least monthly, to Management Board on the steps being taken to address the various issues raised by the Audit report;
- In the restructuring of Housing, a finance post was added to improve processes for invoicing, collection, monitoring, and recovery of money outstanding. Two new processes have been implemented covering these areas for removals and storage of personal possessions and for deposits/rent in advance;
- A temporary finance post was approved by Management Board to assist with the backlog of collecting outstanding payments. This has now been filled internally and work has started on collecting the backlog of deposits and rent in advance;
- A senior officer in the Homelessness Team has now been assigned responsibility for financial probity within Housing;
- The South West Audit Partnership will complete the review of the Homeless Prevention Fund and make recommendations regarding its success to date, continuation, and future policy. This review is due to be completed by the end of July 2007;
- The budget has been revised to reflect more accurately the likely income received and the likelihood of bad debts.

Lufton Stores

The overall conclusion for Lufton Stores was as follows:

“I am not able to offer any assurance. Many of the areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

As noted in the management summary, it should be appreciated that there have been a number of enforced staff changes and changes in the staffing structure at Lufton affecting key staff involved with the stores process. Issues have also been identified with the current computer system and a number of key controls are not in place.

There is however, evidence of a commitment by both the Head of Streetscene Services and the Storeman to ensure that key controls are put in place and the issues raised in this report and during the course of the audit addressed as a matter of urgency”.

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The main issues for the Lufton Stores service were:

- Stock checks were not completed regularly, year-end variances were inaccurate and adjustments not made properly;
- Inadequate stores security and separation of duties of staff dealing with stock;
- Reports of stock and fuel usage, and issues not reported to managers;
- Lack of consistency over the calculation of issue price;
- The fuel tanks were not dipped regularly;
- No clear stock returns policy;
- No use of re-order levels.

Lufton Stores – Actions to Date

- The South West Audit Partnership and Finance designed new forms for stock checks and assisted in the year-end stock check for 2006/07 to give advice and guidance;
- Stock checks now carried out on a quarterly basis and rolling stock checks to be implemented. Adjustments will now be investigated fully and any adjustments recorded separately by Support Supervisor;
- The security has been reviewed and improved;
- Regular reports are now made to supervisors and analysis of fuel usage carried out by Finance;
- Procedure in place for returns;
- Fuel tanks are now dipped before and after every delivery;

Financial Implications

There are no financial implications that have not been financed within current budgets.

Conclusions of Corporate Governance Group

The Corporate Governance Group can give members of the Audit Committee assurance that the issues outlined in audit reports are being addressed and action is being taken to improve and monitor the situation. Staff in the services affected have been keen to deal with the issues and are participating fully in providing or assisting in the implementation of the solutions. We have also welcomed the assistance of SWAP in designing systems and procedures to address the problem areas.

Background Papers: *Audit Committee Agenda and Minutes – 28th June 2007.*