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**Meeting:           AUDIT COMMITTEE**

**Agenda Item: 5**

**Date:               14<sup>th</sup> June 2010**

## **INTERNAL AUDIT PROGRESS REPORT**

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### **1.       PURPOSE**

- 1.1.   The purpose of this report is for the Audit Committee to receive and consider progress against the 2009/10 and 2010/11 Internal Audit Plan.

### **2.       RECOMMENDATIONS**

- 2.1.   The Internal Audit quarterly report as at 31 May 2010 be noted.

### **3.       BACKGROUND**

- 3.1.   The Audit Committee receive periodic progress updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 16 March 2010.
- 3.2.   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 includes proposed amendments to the agreed annual audit plan.

### **4.       REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

- 4.1.   The 2009/10 Internal Audit Plan has been completed. Progress against the 2010/11 Internal Audit Plan is attached, see Appendix A. The following 2010/11 reports and assignments have been issued or completed in the period:
  - Year end controls testing (Final report issued)
  - Internal Audit Annual Report and Annual Assurance Statement
  - Internal Audit Contribution to the Annual Governance Statement
  - Delivery of one Ethics and Probity training course
  - 26 sets of Probity checks on interim contract payments

- Four Financial Appraisals
  - Ad hoc advice/assurance was provided on seven occasions, which included advice on Risk Management Strategy and Financial Regulations.
- 4.2. As at 31 May 2010, 18% of the 2010/11 Audit Plan has been delivered (excludes unused contingency). This is 1% higher than the target level that would be required to complete the Audit Plan by 31 March 2011.
- 4.3. The Audit Committee requested at its meeting on 12 January 2009 that audits that exceed their budgeted time allocation by more than 100% should be reported to them. None of the 2010/11 audit activity that has been completed in this period has overrun by more than 100%.
- 4.4. There are no proposed amendments to the Internal Audit Plan in this period.
- 4.5. It was agreed at a previous Audit Committee that Internal Audit progress update reports would include the high priority recommendations and their implementation status. Appendix B details five high priority recommendations that have been formally agreed with Council officers. The Taxi Licensing recommendation has been partially implemented and it is anticipated to be fully implemented by August 2010. The two Integra Application recommendations have not been implemented and the extended implementation date of April 2010 has passed. A further two recommendations are included for information purposes as they are not yet due for implementation. SMB will continue to be updated on a quarterly basis.

## **5. IMPLICATIONS**

### **5.1. Financial Implications**

- 5.1.1. This report is financial in nature and consequently financial implications are included in the body of the report.

### **5.2. Legal Implications**

- 5.2.1. None identified at this time.

## **6. BACKGROUND DOCUMENTS**

- None

## **7. APPENDICES**

- Appendix A - Progress against the 2010-11 Audit Plan as at 31 May 2010
- Appendix B - High Priority Recommendations

**APPENDIX A      PROGRESS AGAINST THE 2010/11 AUDIT PLAN AS AT 31 MAY 2010**

**2010/11 Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
<b>Key Financial Systems – 75 days</b>							
2009-10 Year end controls testing	N/A	0	3	3	7	7	Final report issued
Budgetary Control					7		
Housing Benefits					7		
Payroll					7		
Creditors					7		
Debtors					5		
Main Accounting System					5		
NNDR					5		
Council Tax					5		
Fixed Assets 2009-10					5		
Cash and Payments					5		
Treasury Management					5		
Key Financial Systems Planning					5		
<b>Operational Audits – 70 days</b>							
National Indicators					15	7.5	Work in progress
Partnerships					15		
Disabled Facilities Grants					10		
Mortgage Rescue Scheme					8	5	
Members Allowances					7		
Commercial Properties					15	7.5	Work in progress

APPENDIX A      PROGRESS AGAINST THE 2010/11 AUDIT PLAN AS AT 31 MAY 2010

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
<b>Risk Management and Governance – 19 days</b>							
Risk Management					8		
Corporate Governance					8		
Annual Governance Statement 2009/10					3	3	Audit contribution to AGS provided
<b>IT Audits – 20 days</b>							
IT Disaster Recovery					8		
Data Security					8		
IT Management					4	2	
<b>Advice, Consultancy and non Assurance work – 61 days</b>							
Working together programme					3	1	
Ethics and Probity					6	2	One training course delivered. Presentation updated
Ad hoc advice					25	5	
Regulation of Investigatory Powers Act 2000 (RIPA) Compliance					12		
Experian Checks					15	2	Four Experian checks completed
<b>Procurement – 45 days</b>							
Contract Payments					45	8	26 Probity checks completed

**APPENDIX A      PROGRESS AGAINST THE 2010/11 AUDIT PLAN AS AT 31 MAY 2010**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
<b>Counter Fraud – 15 days</b>							
National Fraud Initiative					10	2	
Whistle blowing Arrangements					5		
<b>Follow Up of Previous Audit Report Recommendations – 54 days</b>							
Insurance					3	0.5	
CCTV					4	0.5	
Officer Interests in Contracts					3	0.5	
Absence Management					3		
Grounds Maintenance					3		
Equalities and Diversity					3		
Performance Management					3		
Fleet Management					3		
Bus Passes					3		
Energy Management					4		
Environmental Cleansing					3		
Building Control					4		
Car Parking					5	3	
Burials					3		
Follow ups Administration					2	0.5	
High Priority Recommendations Quarterly Follow Up					5	1	
<b>Management – 36 days</b>							
Audit Committee					4	1	

**APPENDIX A      PROGRESS AGAINST THE 2010/11 AUDIT PLAN AS AT 31 MAY 2010**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			BUDGETED DAYS	DAYS DELIVERED AGAINST THE PLAN	STATUS/COMMENT
		H	M	L			
External Audit Liaison					4	1	
Annual Report and Head of Internal Audit Opinion 2009/10					8	8	Completed
Use of Resources					2		
Internal Audit Procedures Development					10	4	
2011/12 Audit Plan					8		
<b>Contingency – 30 days</b>					30		Audit plan days to be allocated if required for emerging risks.
<b>TOTAL</b>					<b>425</b>	<b>72</b>	

**APPENDIX B – HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Implementation Status
1.	Taxi Licensing 2008/09	It is recommended that on a monthly basis the Taxi Licensing actual income recorded on the Payment Slip is reconciled to Taxi Licensing Accounts on the Council's accounting system [Integra].	Agreed. IT will be consulted to assist in the implementation of this recommendation. May require further exploration.	Licensing Manager	May 2009	<p><b>Partially Implemented</b></p> <p>The Licensing Manager is finalising the solution to implement this recommendation. The implementation date has been extended from May 2009 to December 2009.</p> <p>Feb 10 update - Internal Audit were advised that due to severe resourcing issues it is unlikely that this recommendation will be completed by the revised implementation date. Accountancy will provide assistance in implementing this recommendation.</p> <p>May 2010 update –The resourcing issues have improved and the Licensing Manager advises that the reconciliation has been</p>

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						actioned for records up until the 25 <sup>th</sup> February 2010. It is anticipated that the reconciliation will be up to date and completed on a monthly basis by August 2010.
2.	Integra GL Finance Application Audit 2008/09	It is recommended that periodic user access reviews should be conducted to ensure unused accounts are disabled on a timely basis.	Agree. A full review of user access will be conducted to establish a baseline position. A process will then be introduced to regularly (e.g. quarterly) review user access to ensure that access is appropriate.	Head of E-Government & Business Systems	December 2009	<p><b>Not implemented</b></p> <p>February 2010 update - The baseline position was to be established as part of the upgrade to the Integra system. The upgrade has yet to commence due to delays in the implementation of the replacement Revenues and Benefits system. The Integra upgrade is now due to be complete by April 2010.</p> <p>May 2010 update - A review of access and security controls relating to all ICT systems needs to</p>



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						<p>be completed, which will recommend a set of standard practices relating to the administration of user access.</p> <p>This broadening of scope attempts to better manage security concerns across all ICT systems in use by the Council.</p>
3.	Integra GL Finance Application Audit 2008/09	It is recommended that, as per the stated implementation date of December 2009, management develop their Business Continuity Plan (including the technical element). Once implemented, management should adequately test the plan on a frequent basis to ensure its continued effectiveness. Management should also ensure that the Integra application can be recovered at an alternative site in line with agreed business	Agree. The technical solution is to be in place by June 2009. A fully documented BCP plan for the IT element is to be in place for December 2009.	Head of E-Government & Business Systems	December 2009	<p><b>Not implemented</b></p> <p>February 2010 update - The system has been moved to the Council's 'virtual' infrastructure, which is core to the organisation's Business Continuity arrangements. Herts County Council's offices in Stevenage have been identified as a potential secondary site and discussions about the feasibility and associated</p>

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		expectations				<p>costs are ongoing.</p> <p>May 2010 update - Options for a second site are being investigated and it is anticipated that recommendations will be made alongside the outcomes of the review into the recent ICT security incident. The timescales for this review are yet to be agreed with the chair of the committee.</p>
4.	Building Control 2009/10	It is recommended that on a monthly basis the expected Building Control income through fees and charges applied and recorded on Uniform is reconciled to the actual Building Control income received on Integra. The reconciliation should be signed and dated by the Officer preparing the reconciliation, and signed and dated as reviewed by the Building	Agreed – Building Control Manager to devise a Uniform fees & charges report for use in reconciliation with Integra. Accountancy support	Building Control Manager	June 2010	<p><b>Not yet due for implementation</b></p> <p>May 2010 update - Integra training has not yet been received.</p>

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Implementation Status
		Control Manager.	required for Integra training			
5.	Asset Management 2009/10	<p>It is recommended for items on the Asset register that are to be disposed, an asset disposal certificate is completed by the officer disposing the asset, the certificate will:</p> <ul style="list-style-type: none"> <li>• outline the asset’s current book-value and estimated disposal income,</li> <li>• state the disposal method e.g. auction, three quotes etc,</li> <li>• be signed-off by an appropriate manager before the disposal takes place (if certain disposal thresholds could be breached then the highest appropriate level of authorisation needs to be obtained).</li> </ul> <p>When the item is sold the disposal certificate is updated to state the disposal income, a</p>	Agreed – Capital Accountant to be in post in June 2010, one of their duties will be to implement the recommendation	Accountancy Services Manager Capital Group Accountant	August 2010	<b>Not yet due for implementation</b>

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Implementation Status
		<p>copy of the sale receipt is attached to the certificate and the certificate is signed and dated to verify the disposal process has been completed. The disposal certificate and sale receipt should then be sent to the Capital Group Accountant, who should sign and date the certificate to confirm that the asset disposal procedures have been followed and that the Asset register has been updated.</p>				