| Meeting: | **AUDIT COMMITTEE** | Agenda Item: | **5** |

Date: 6th September 2011

INTERNAL AUDIT PROGRESS REPORT

Author – Gursh Bains ext. 2426

Lead Officer – Clare Fletcher ext. 2933

Contact Officers – Gursh Bains ext. 2426 and Clare Fletcher ext. 2933

1. PURPOSE

1.1 The purpose of this report is for the Audit Committee to receive and consider progress against the 2011/12 Internal Audit Plan and approve the amendments to the Audit Plan.

2. RECOMMENDATIONS

2.1 The Internal Audit quarterly report as at 31st August 2011(forecast) be noted and the amendments to the Audit Plan be approved.

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 15th June 2011.

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.

3.3 The Council's Internal Audit Services is being provided by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council since 1 June 2011.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

Audit Plan Progress

4.1 As at 31 August 2011, 31% of the 2011/12 Audit Plan is forecasted to have been delivered. Progress against the 2011/12 Internal Audit Plan is attached, see Appendix A. The auditor days available for audit work were significantly reduced during the transition to SIAS. As a result, there is a risk that the 2011/12 Audit Plan may not be fully completed by 31 March 2012. The approach and options to ensure sufficient completion of the Audit Plan by the 31 March 2012 are due to be discussed at the first SIAS Board meeting on 7 September 2011. The following 2011/12 reports and assignments have been issued or completed in the period:

- Community Funding (draft report issued)

- Financial Administration of Stevenage Day (draft report issued)

- Quarterly follow up of Car Parks audit recommendations

- Quarterly follow up of High Priority audit recommendations

- Ad hoc advice was provided, including advice on Car Parks Cash Collection and Members Locality Budget.

Audit Plan Amendments

4.2 The following amendments to the Audit Plan have been agreed with the Head of Finance and are detailed below for audit committee approval.

- Working Together Programme Themed audits, the audit budget has been reduced from 18 to six days, the reduction of 12 days has been added to contingency.

- Single Status, the audit budget has been reduced from 12 to six days, the reduction of six days has been added to contingency.

- Whistleblowing Arrangements, the audit budget has been reduced from five to one days, the reduction of four days has been added to contingency. The Head of Finance will coordinate the administration of the Whistleblowing arrangements going forward. The Council will potentially use SIAS to investigate Whistleblowing referrals when appropriate.

- 15 days have been added to contingency (at no cost to SBC) for work during SBC time for SIAS purposes.

- Financial Administration of Stevenage Day, 10 days have been added to the audit plan from contingency to address an identified risk.

- Mobile Phones, seven days have been added to the audit plan from contingency to address an identified risk.

- SIAS Training and Development, 10 days have been taken from contingency to reflect the Council's contribution for the training and development of SIAS staff as committed by the Chief Financial Officer.

- Finalisation of 2010/11 Key Financial Systems audit work, 12 days have been taken from contingency to complete outstanding 2010/11 work to finalisation.

- Voluntary Grants Aid Extended Follow Up, the audit title has been changed to Community Funding.

<u>High Priority Recommendations</u>

4.3 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 four high priority recommendations that have been formally agreed with Council officers. All four recommendations have been partially implemented. Members will continue to be updated on a quarterly basis on the status of high priority recommendations.

4.4 It is Internal Audit's responsibility to bring to Members attention the non implementation of high priority recommendations. However, it is the responsibility of Officers to implement the recommendations by the agreed date. Members have the right to call the appropriate Officers to the Audit Committee meeting, if they have questions in relation to the non implementation of any high priority recommendations detailed in Appendix B.

<u>Format of Future Audit Committee Report</u>

4.5 SIAS are in the process of developing a standard approach to provide audit committees with quarterly Internal Audit progress update reports. Members and officers will be consulted on the proposed changes prior to the introduction of the new reporting format. A report is due to be presented to the first SIAS Board meeting on 7th September 2011, which will provide options on the content of future SIAS audit committee reports and the timing for the introduction of the new reporting format.

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 2011-12 Audit Plan as at 31 August 2011 (forecast)

• Appendix B - High Priority Recommendations

APPENDIX A   PROGRESS AGAINST THE 2011/12 AUDIT PLAN AS AT 31 AUGUST 2011 (FORECAST)

2011/12 Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Key Financial Systems – 117 days								
2010-11 Year end controls testing					7	Yes	5	Fieldwork complete
Housing Benefits					12			Start audit in Qtr 4
Payroll					12	Yes		Start audit in Qtr 3
Creditors					10	Yes		Start audit in Qtr 3
Debtors					10	Yes		Start audit in Qtr 3/4
Main Accounting System					10			Start audit in Qtr 4
NNDR					12			Start audit in Qtr 4
Council Tax					12			Start audit in Qtr 4
Fixed Assets					12			Start audit in Qtr 4
Cash and Payments					12			Start audit in Qtr 3
Treasury Management					8			Start audit in Qtr 3/4
Operational Audits – 59 days								
Working Together Programme Themed audits					6			Start audit in Qtr 4
Scheme of Delegation					8	Yes	1	Planning work in progress
Single Status					6			Start audit in Qtr 4
Building Compliance Contract					12	Yes	1	Planning work in progress
Community Funding					10	Yes	9	Draft report issued
Financial Administration of Stevenage Day					10	Yes	9	Draft report issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Mobile Phones					7	Yes	4	Fieldwork in progress
Risk Management and Governance – 19 days								
Risk Management					8			Start audit in Qtr 4
Corporate Governance					8			Start audit in Qtr 4
Annual Governance Statement 2010/11					3		3	Audit input complete
IT Audits – 20 days								
IT Governance Arrangements					10	Yes	1	Planning in progress
IT Penetration Testing					10	Yes	1	Planning in progress
Advice, Consultancy and non Assurance work – 25 days								
Ad hoc advice					25		15	Advice provided
Procurement – 15 days								
Contract Payments					15			Start audit in Qtr 4
Counter Fraud – 1 day								
Whistle blowing Arrangements					1		1	Audit input complete
Follow Up of Previous Audit Report Recommendations – 30 days								
Follow up audits to be agreed					7			
Car Parks					6	Yes	4	
Members Allowances					3			
Partnerships – Corporate Arrangements, Stevenage Leisure Limited and SoStevenage					6			
High Priority Recommendations Quarterly Follow Up					8	Yes	4	

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Strategic Support – 27 days								
Audit Committee					4		2	
External Audit Liaison					4		2	
Annual Anti Fraud Report 2010/11					3		3	Complete
Annual Report and Head of Internal Audit Opinion 2010/11					8		7	
2012/13 Audit Plan					8			
Remaining Contingency					10			
Continuation of services and handover Arrangements					20		20	
SIAS Training and Development					10		10	
Finalisation of 2010/11 audit work					12		10	
SBC TOTAL					**365**		**112**	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at August 2011
1.	Academy IT System Review 2009/10	The System Administrator roles for the systems operated by the Council are fully documented so that the relevant responsibilities of the ICT and user teams are clearly defined. Risk implication – The role of the system administrator and ICT are unclear leading to a lack of accountability.	Accepted	Head of Customer Services & Business Improvement Amendment to responsible agreed: Head of Revenues and Benefits / Business and Knowledge Systems Manager	Proposals by 30 May 2010, then phased implementation of the accepted proposals to be completed by 31 December 2010. Revised implementation date April 2011 Latest revised - date December 2011	August 2010 Update – An outline of the System Administrator role has been drafted and the detail is subject to discussion with staff within Revenues and Benefits. This discussion is expected to take place during September 2010, which will clarify both the role of IT and user teams. It anticipated that any transfer of responsibilities will be phased to ensure that appropriate training can take place. November 2010 Update - A generic role description for a System Administrator has been identified. This will form the basis for specific System Administration roles. February 2011 Update – Work to complete the business case for a shared Revenues and Benefits service is expected to conclude in June 2011, with implementation taking place within the following 3 to 6 months - although dates are yet to be determined. The process of setting up the shared service would involve some restructuring, at which point it is envisaged that the role of a	**Partially implemented** Audit have accepted management's rationale for deferring the full implementation of this recommendation until the work on the shared Revenue and Benefits service business case is concluded.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at August 2011
						Systems Administrator for the service would be established. May 2011 and August 2011 Update – No change from the February 2011 position.	
2.	Commercial Properties 2010/11	It is recommended that the Estates Manager takes action to review all expired leases, to determine if the Council's plans, income or reputation are at risk, if an alleged lease by implication was claimed. The results should be documented and retained on file.	Agreed, that Estates should review all held over leases.	Estates Manager	30 June 2011 Revised to 31 October 2011	August 2011 - The list of lease renewals outstanding and the tenancy at wills have been identified. It is planned that each individual lease will be reviewed to determine the status of each tenancy and thus assess the risk/desired action. There has been a slippage on the implementation date due to changes in staffing.	**Partially Implemented**
3.	Commercial Properties 2010/11	It is recommended that the Estates Manager reviews the current arrangements for the Outdoor Market site with a view to documenting and approving the operational procedures. In particular: a. Cash collection arrangements (ensuring adequate separation of duties and management supervision) b. Regular rent reviews in line with the corporate review of fees and charges c. Document the Outdoor	Agreed - We have introduced new procedures. Now, cash is only collected on an exceptional basis. All Traders now have individual Integra accounts.	Estates Manager	28 February 2011	Point a, we have now successfully reviewed the arrangements for collecting the rent from each trader from the Outdoor Market and have implemented the new procedure. This includes the raising of weekly invoices and the withdrawal of SBC officers collecting cash payments. I have attached a copy of the new procedure that we are now working too. Points b has been implemented Points c and d still need to be fully implemented.	**Partially Implemented**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at August 2011
		Market site layout d. Consider the need for formal agreements with regular traders					
4	Car Parks	It is recommended that a car parks system report for all income received via the Car Parks Pay On Foot Machines should be produced by the CCTV & Parking Services Manager and reconciled to income shown on Integra. This reconciliation should be signed and dated as reviewed on a monthly basis.	Agreed	Accountancy Services Manager Group Leader CCTV and Parking Services	30 April 2010 Revised date 30 September 2010 Latest date 31 April 2011 (1)	Group Leader CCTV and Parking Services - By email with accountancy (9 April 2010). GLCPS to provide full system report and not just total figure. Scanned copy sent to Car Park Audit team on 23 April 10. Accountancy to review this system report. GLCPS will do May report after completion of the Enturvo software upgrade. In October 2010, Management advised that draft reconciliation resulted in a YTD difference of £24,474.96 on Integra. [Surplus]. The spreadsheet is being produced on a monthly basis. However, because of timing differences in the recording of income this cannot easily be compared other than at year end. It is therefore planned to review the outturn position for 2010-11 and compare it with the closing 2009-10 figures to evaluate any risk. (1)	**Partially Implemented**

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at August 2011
						Management comment 3 June 2011 - It has not been possible to complete this exercise due to a systems problem which currently rests the supplier in Germany. Action rests with Group Leader CCTV and parking Services. In an attempt to move this forward a chase up reminder is being sent today (3 June 2011).	