



Stevenage Borough Council
Audit Committee Progress Report
29 November 2011

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve the amendments to the Audit Plan as at 15 November 2011

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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 Internal Audit Plan as at 15 November 2011.
 - b) the findings for the period 1 September 2011 to 15 November 2011.
 - 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 15 November 2011.

Background

- 1.2 Internal Audit's Annual Plan for 2011/12 was approved by the Audit Committee at its meeting on 7 March 2011.
- 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 6 September 2011.
- 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 at 15 November 2011, 40% of the 2011/12 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated). Appendix A provides a status update on each individual deliverable within the audit plan. To ensure that key elements of the Audit Plan are delivered, lead auditors have been assigned to each programmed audit and priority will be given to the completion of the key financial systems audits. It is estimated that at least 85% of the Audit Plan will be delivered by 31 March 2012.
- 2.2 The following 2011/12 reports and assignments have been issued or completed in the period:
- Community Funding (final report issued – Limited assurance, four medium priority and six merits attention recommendation). This report is attached as Appendix C.
 - 2010/11 Year end controls testing (draft report issued)
 - Financial Administration of Stevenage Day (draft report issued).

Proposed Audit Plan Amendments

- 2.3 The following amendments to the Audit Plan have been agreed with the Head of Finance and are detailed below for audit committee approval.
- Scheme of Delegation, this audit was cancelled as officers advised that they needed to revisit the Scheme of Delegation before it is assessed by Internal Audit, the remaining six audit days have been added to contingency.
 - Building Compliance Contract, this audit was cancelled at the request of officers due to their current work pressures, the remaining ten audit days have been added to contingency.
 - Follow up work yet to be undertaken has been removed from the audit plan and the seven audit days have been added to contingency. The audit days required for any further follows ups audits will now be taken from contingency.
 - Audit Committee, the number of audit days has been increased by four days to reflect the time taken to prepare and agree the internal audit committee reports, meet with the audit committee chair prior to the meeting, read committee reports, and present audit reports at the committee meeting.

High Priority Recommendations

- 2.4 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.5 The schedule attached at Appendix B details the implementation status of the previously agreed high priority audit recommendations. Two of the three

recommendations have been partially implemented and for one recommendation the risk will be transferred to East Herts District Council in December 2011.

- 2.6 It is Internal Audit's responsibility to bring to Members' attention the non implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

Performance Management

- 2.7 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Targets were also agreed by the SIAS Board for the majority of the performance indicators. Targets have not been set for the performance indicators relating to the completion of Planned Days and Planned Projects for 2011/12, given the impact of transition.

- 2.8 The actual performance for Stevenage against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Performance Target	Actual to 15 November 2011
1. Planned Days – percentage of actual billable days against planned chargeable days completed	N/A for 2011/12	40%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	N/A for 2011/12	23%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	100%

- 2.9 In addition, the performance targets listed below are annual in nature; members will be updated on the performance against these targets within the Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the financial year.
- **7. Head of Assurance's Annual Report** – prepared in time to present to the first meeting of each Audit Committee in the financial year.

- 2.10 The Shared Internal Audit Service continues to make good progress towards the new standards and expectations that have been set. Levels of productivity have risen steadily since the period of implementation.

- 2.11 Levels of completion of assigned work within budget are being carefully monitored. A training course on 'Lean Delivery of Audit Assignments' took place on 3 November, to support auditors in meeting targets in this area. The training underlined the increased emphasis that is being placed on:
- planning work carefully to ensure assurance is provided on the key risks and issues, and not on less important areas;
 - understanding when sufficient work has been done to give assurance, and avoiding unnecessary extra work; giving techniques for recognising this;
 - writing concise reports that convey the key messages.
- 2.12 Adjustments have been made to the audit methodology in order to ensure that this supports the auditors in working in a focussed and 'lean' way.
- 2.13 Other developments during the period:
- All the team now has a single set of terms and conditions;
 - IT arrangements are largely bedded in and reliability of the system connections has improved;
 - The SIAS external partner PWC has commenced its programme of work;
 - An approach for audit planning for 2012/13 has been agreed, which will identify areas of commonality across authorities as well as ensuring that individual plans are appropriately tailored.

APPENDIX A PROGRESS AGAINST THE 2011/12 AUDIT PLAN AS AT 15 NOVEMBER 2011

2011/12 SIAS 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	6	Draft report issued
Housing Benefits					12	Yes		Start audit in Qtr 4
Payroll					12	Yes		Start audit in Qtr 4
Creditors					10	Yes		Planning in progress
Debtors					10	Yes		Planning in progress
Main Accounting System					10	Yes		Start audit in Qtr 4
NNDR					12	Yes		Start audit in Qtr 4
Council Tax					12	Yes		Start audit in Qtr 4
Fixed Assets					12	Yes		Start audit in Qtr 4
Cash and Payments					12	Yes		Planning in progress
Treasury Management					8	Yes		Planning in progress
Operational Audits – 44 days								
Working Together Programme Themed audits					6	Yes		Start audit in Qtr 4
Scheme of Delegation					2	Yes	2	Audit cancelled
Single Status					6	Yes		Start audit in Qtr 4
Building Compliance Contract					2	Yes	2	Audit cancelled
Community Funding	Limited	0	4	6	10	Yes	10	Final report issued
Financial Administration of Stevenage Day					10	Yes	9	Draft report issued
Mobile Phones					7	Yes	5	Fieldwork complete

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Members Allowances	Substantial	0	5	3	1	Yes	1	Final report issued
Risk Management and Governance – 19 days								
Risk Management					8	Yes		Start audit in Qtr 4
Corporate Governance					8	Yes		Start audit in Qtr 4
Annual Governance Statement 2010/11					3	Yes	3	Audit input complete
IT Audits – 20 days								
IT Governance Arrangements					10	Yes	3	Planning in progress
IT Penetration Testing					10	Yes	2	Planning in progress
Advice, Consultancy and non Assurance work – 25 days								
Ad hoc advice					25		17	Advice provided
Procurement – 15 days								
Contract Payments					15	Yes		Start audit in Qtr 4
Counter Fraud – 1 day								
Whistle blowing Arrangements					1		1	Audit input complete
Follow Up of Previous Audit Report Recommendations – 22 days								
Car Parks Follow up					6	Yes	4	On going
Members Allowances Follow up					2	Yes		Start audit in Qtr 4
Partnerships – Corporate Arrangements, Stevenage Leisure Limited and SoStevenage					6	Yes		Start audit in Qtr 4
High Priority Recommendations Quarterly Follow Up					8	Yes	6	On going
Strategic Support – 31 days								

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Audit Committee					8		5	
External Audit Liaison					4		3	
Annual Anti Fraud Report 2010/11					3		3	Complete
Annual Report and Head of Internal Audit Opinion 2010/11					8		8	Complete
2012/13 Audit Plan					8		1	In progress
Remaining Contingency					29			To be used to address emerging risks
Continuation of services and handover Arrangements					20		20	
SIAS Training and Development					10		10	
Finalisation of 2010/11 audit work					12		12	
SBC TOTAL					365		133	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS AS AT 15 NOVEMBER 2011

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at November 2011
1.	Academy IT System Review 2009/10	<p>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.</p> <p>Risk implication – The role of the system administrator and ICT are unclear leading to a lack of accountability.</p>	Accepted	<p>Head of Customer Services & Business Improvement</p> <p>Amendment to responsible agreed:</p> <p>/</p> <p>Business and Knowledge Systems Manager</p>	<p>Proposals by 30 May 2010, then phased implementation of the accepted proposals to be completed by 31 December 2010.</p> <p>Revised implementation date April 2011</p> <p>Latest revised - date December 2011</p>	<p>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.</p> <p>November 2010 Update - A generic role description for a System Administrator has been identified. This will form the basis for specific System Administration roles.</p> <p>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.</p> <p>The process of setting up the shared service would involve some restructuring, at which point it is envisaged that the role of a</p>	<p>Risk will be transferred to East Herts District Council</p> <p>The Head of Revenues and Benefits advised SIAS that as from 5th December 2011 with the transfer of Revenues & Benefits staff; the responsibility for Council's Academy IT system transfers to East Herts District Council (EHDC) under contract.</p>

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						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 December 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. November 2011 - All held over leases have now been identified and a systematic review is in progress. The Head of Legal is to be consulted on various individual cases and clarification sought on the term "alleged lease by implication" Slippage has been caused by Estates Manager, which now been filled 2011.	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	Agreed - We have introduced new	Estates Manager	28 February 2011 Revised to	Point a, we have now successfully reviewed the arrangements for collecting the rent from each trader from the Outdoor Market and have	Partially Implemented

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at November 2011
		<p>view to documenting and approving the operational procedures. In particular:</p> <p>a. Cash collection arrangements (ensuring adequate separation of duties and management supervision)</p> <p>b. Regular rent reviews in line with the corporate review of fees and charges</p> <p>c. Document the Outdoor Market site layout</p> <p>d. Consider the need for formal agreements with regular traders</p>	<p>procedures. Now, cash is only collected on an exceptional basis. All Traders now have individual Integra accounts.</p>		<p>31 December 2011</p>	<p>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.</p> <p>Points b has been implemented</p> <p>Points c and d still need to be fully implemented.</p> <p>November 2011 - A full review of the Outdoor Market is currently in progress and therefore points c and d are being considered in the light of this review which should be completed by the end of December 2011.</p>	