



Agenda
Item: 5

Stevenage Borough Council
Audit Committee Progress Report
28 March 2012

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve the amendments to the Audit Plan as at 16 March 2012

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- A - Progress against the 2011/12 Audit Plan

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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 16 March 2012.
 - b) the findings for the period 15 November 2011 to 16 March 2012.
 - 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 16 March 2012.

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 29 November 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 16 March 2012, 87% 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 95% of the Audit Plan will be delivered by 31 March 2012, this is a 10% increase from the estimate provided at November's Audit Committee meeting.
- 2.2 The following 2011/12 reports and assignments have been issued or completed in the period:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Financial Administration of Stevenage Day	Nov'11	N/A	11 recommendations
Mobile Phones	Jan'12	Moderate	two medium two merits attention
Treasury Management	Mar '12	Full	none

Proposed Audit Plan Amendments

- 2.3 The following amendments to the Audit Plan have been agreed with the Assistance Director of Finance and the Strategic Management Board (SMB) where noted. They are detailed below for audit committee approval.
- G4S Cash Collection Arrangements, six days have been allocated to this audit from contingency to provide an assurance opinion on the new internal controls following a service restructure in January 2012. (SMB approved)
 - The Single Status and Working Together Themed Audits were deferred to the 2012/13 audit plan as it was agreed with officers that these audits would add more value if they took place in 2012/13. Twelve audit days have been added to contingency. (SMB approved)
 - Ad hoc, five days were removed from ad hoc and added to contingency, as these days will not be required in 2011/12.
 - The contingency budget has been reduced by 15 days as a credit will be given to the Council for auditor days paid for by the Council in June 2011. Note, it is anticipated that the remaining 25 contingency days will not be required in 2011/12 and therefore will not be billed by SIAS.

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. One of the two recommendations has been implemented and the other recommendation has been partially implemented.
- 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 16 March 2012
1. Planned Days – percentage of actual billable days against planned chargeable days completed	N/A for 2011/12	87%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	N/A for 2011/12	54%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	100%

APPENDIX A PROGRESS AGAINST THE 2011/12 AUDIT PLAN AS AT 16 MARCH 2012

2011/12 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems – 117 days								
2010-11 Year end controls testing	Substantial	0	2	0	7	Yes	7	Final report issued
Housing Benefits					12	Yes	9	Fieldwork in progress
Payroll					12	Yes	11	Draft report issued
Creditors					10	Yes	7	Fieldwork in progress
Debtors					10	Yes	8	Fieldwork complete
Main Accounting System					10	Yes	8	Fieldwork complete
NNDR					12	Yes	9	Fieldwork in progress
Council Tax					12	Yes	9	Fieldwork in progress
Fixed Assets					12	Yes	8	Fieldwork in progress
Cash and Payments					12	Yes	9	Fieldwork complete
Treasury Management	Full	0	0	0	8	Yes	8	Final report issued
Operational Audits – 38 days								
Scheme of Delegation					2	Yes	2	Audit cancelled
Building Compliance Contract					2	Yes	2	Audit cancelled
Community Funding	Limited	0	4	6	10	Yes	10	Final report issued
G4S Cash Collection Arrangements					6	Yes	3	Fieldwork in progress
Financial Administration of Stevenage Day	N/A				10	Yes	10	Final report issued, 11 recommendations.
Mobile Phones	Moderate	0	2	2	7	Yes	7	Final report issued
Members Allowances	Substantial	0	5	3	1	Yes	1	Final report issued

APPENDIX A PROGRESS AGAINST THE 2011/12 AUDIT PLAN AS AT 16 MARCH 2012

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Risk Management and Governance – 19 days								
Risk Management					8	Yes	7	Draft report issued
Corporate Governance					8	Yes	7	Draft report issued
Annual Governance Statement 2010/11					3	Yes	3	Audit input complete
IT Audits – 20 days								
IT Governance Arrangements					10	Yes	8	1 of 2 draft reports issued
IT Penetration Testing					10	Yes	9	Draft report issued
Advice, Consultancy and non Assurance work – 20 days								
Ad hoc advice					20		20	Ad hoc work
Procurement – 15 days								
Contract Payments					15	Yes	10	Fieldwork in progress
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	6	Complete
Members Allowances Follow up					2	Yes	1	In progress
Partnerships – Corporate Arrangements, Stevenage Leisure Limited and SoStevenage					6	Yes	3	In progress
High Priority Recommendations Quarterly Follow Up					8	Yes	8	Complete

APPENDIX A PROGRESS AGAINST THE 2011/12 AUDIT PLAN AS AT 16 MARCH 2012

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Strategic Support – 31 days								
Audit Committee					8		7	
External Audit Liaison					4		4	
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		8	Complete
Remaining Contingency					25			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		0	13	11	350		283	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS AS AT 16 MARCH 2012

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at March 2012
1.	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. Full review will be finished by end of April 2012 then continuing 6 monthly review after that.	<p>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.</p> <p>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 vacancy, which now been filled 2011.</p> <p>March 2012 - The systematic review is still underway and now the commercial team is fully resourced, notes on each property will be held both on the file and on the Sections monitoring spreadsheet as to why the lease should continue to be held over or what other action should be taken. Each property</p>	Partially Implemented

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						<p>will be subject to monitoring every 6 months to see if circumstances relating to the case have altered and a different course of action is required.</p>	
2.	Commercial Properties 2010/11	<p>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:</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>Agreed - We have introduced new procedures. Now, cash is only collected on an exceptional basis. All Traders now have individual Integra accounts.</p>	Estates Manager	<p>28 February 2011</p> <p>Revised to</p> <p>31 December 2011</p>	<p>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.</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> <p>March 2012 - The full review of the Outdoor Market will be completed by the end of March 2012. The current layout of the</p>	Implemented

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						<p>Market has been mapped and documented and is held by the Market Officers. A trial has been undertaken with a new stallholder with regard to having a formalised licence in place and discussions have been held with other outdoor markets as to the effectiveness of such licences. The overall review of the Market will address this issue and therefore items c and d have now been covered.</p>	