



Stevenage Borough Council
Audit Committee Progress Report
13 June 2012

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve the amendments to the Audit Plan as at 31 May 2012

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- A - Progress against the 2012/13 Audit Plan

- B - Implementation Status of High Priority Recommendations

Reason for Urgency

To allow the Committee the opportunity to consider and comment on the progress made against the Internal Audit Plan in a timely manner given that the next meeting of the Committee is not due until Monday 10 September 2012.

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 and 2012/13 Internal Audit Plans as at 31 May 2012.
 - b) the findings for the period 16 March 2012 to 31 May 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 31 March 2012.

Background

- 1.2 Internal Audit's Annual Plan for 2012/13 was approved by the Audit Committee at its meeting on 28 March 2012.
- 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 28 March 2012.
- 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 31 May 2012, all work relating to the 2011-12 Audit Plan had been completed, except for the following two assignments:

Audit	Status	Estimated completion
Corporate Governance	Revised draft report issued 3 May 2012	15 June 2012
Contract Payments	90% of fieldwork complete	30 June 2012

- 2.2 A full account of the finalised position on the 2011/12 audit plan is shown in the Annual Report elsewhere on this agenda.

- 2.3 As 31 May 2012, 11% of the 2012/13 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated). All of the audit work scheduled for quarter 1 has commenced. Appendix A provides a status update on each individual deliverable within the audit plan.

- 2.4 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
IT Governance – Third Party Services	April'12	Substantial	one medium
IT Governance – Application Software Licenses	April'12	Substantial	one medium one merits attention
IT Penetration Testing	April'12	Substantial	two medium
Housing Benefits	April'12	Substantial	three medium one merits attention
NNDR	April'12	Moderate	two medium five merits attention
Council Tax	April'12	Substantial	one medium
Debtors	April'12	Full	two merits attention
Main Accounting System	May'12	Substantial	one medium two merits attention
Fixed Assets	May'12	Substantial	one merits attention
Cash and Payments	May '12	Full	none
G4S Cash Collection Arrangements	May'12	Moderate	one high two medium two merits attention
Risk Management	May'12	Substantial	one medium three merits attention
Payroll	May'12	Substantial	two merits attention
Creditors	May'12	Substantial	one medium
Members Allowances Follow Up	May'12	Assurance Level - N/A Eight recommendations implemented and two partially implemented	
Partnerships Follow Up	May'12	Assurance Level - N/A	

– Stevenage Leisure		Two recommendations implemented and one substantially implemented
Partnerships Follow Up – Corporate Arrangements	May'12	Assurance Level - N/A Two recommendations not due to be implemented (12/13 implementation dates), one partially implemented and four no longer applicable
Partnerships Follow Up – SO Stevenage	May'12	Assurance Level - N/A Three implemented and one partially implemented

Proposed Audit Plan Amendments

- 2.5 The following amendment to the Audit Plan has been agreed with the Assistance Director of Finance. It is detailed below for audit committee approval.

Market Rental Income, 10 days have been allocated to this audit from contingency to provide an assurance opinion on the new income collection controls that have recently been introduced.

High Priority Recommendations

- 2.6 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.
- 2.7 The schedule attached at Appendix B details the implementation status of the previously agreed high priority audit recommendations. Both recommendations have been implemented.
- 2.8 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

- 2.9 The 2012-13 Annual performance indicators were approved at the SIAS Board meeting on the 7 March 2012. Targets were also agreed by the SIAS Board for the majority of the performance indicators.
- 2.10 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 31 May 2012
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	11%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	nil

SIAS Internal Audit Progress Update
Stevenage Borough Council

3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	No questionnaires issued yet
4. Number of High Priority Audit Recommendations agreed	95%	No high priority recommendations made yet

APPENDIX A PROGRESS AGAINST THE 2012/13 AUDIT PLAN AS AT 31 MAY 2012

2012/13 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 – 128 days								
Housing Benefits					12			Planned for Qtr 3 / 4
Payroll					12			Planned for Qtr 3 / 4
Creditors					12			Planned for Qtr 3 / 4
Debtors					12			Planned for Qtr 3 / 4
Main Accounting System					12			Planned for Qtr 3 / 4
NNDR					12			Planned for Qtr 3 / 4
Council Tax					12			Planned for Qtr 3 / 4
Capital Accounting					12			Planned for Qtr 3 / 4
Cash and Payments					12			Planned for Qtr 3 / 4
Treasury Management					8			Planned for Qtr 3 / 4
Housing Rents					12			Planned for Qtr 3 / 4
Operational Audits – 106 days								
Single Status					8			Planned for Qtr 2 / 3
Working Together Themed Audit					24	Yes	1	In planning
Review of Financial Regulations					5	Yes	1	In planning
Members Locality Budgets / Local Community Grants					15	Yes	8	Fieldwork in progress
Car Parks Extended Follow Up					12	Yes	2	In planning
Use of Contractors and Consultants					12	Yes	1	In planning
Transfer Station					8	Yes	1	In planning
Safeguarding					12	Yes		Planned for Qtr 2 / 3

APPENDIX A PROGRESS AGAINST THE 2012/13 AUDIT PLAN AS AT 31 MAY 2012

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Market Rental Income					10	Yes	1	Planned for Qtr 2
Risk Management and Governance – 19 days								
Risk Management					8			Planned for Qtr 4
Corporate Governance					8			Planned for Qtr 4
IT Audits – 25 days								
IT Needs and Baseline Assessment					10	PwC		
IT Security					15	PwC		
Procurement – 34 days								
Procurement Baseline Assessment					10	Yes	1	In planning
Buildbase Contract					12			
Decent Homes Contract					12			
Counter Fraud – 10 day								
Counter Fraud Baseline Assessment					10	Yes	1	In planning
Follow Up of Previous Audit Report Recommendations – 11 days								
IT Disaster Recovery Follow up					3	Yes	2	Fieldwork complete
High Priority Recommendations Quarterly Follow Up					8	Yes	2	
Strategic Support – 46 days								
PKF Handover					2			
Audit Committee					8		1	
External Audit Liaison					4		1	
Annual Report and Head of Internal					5		5	Complete

APPENDIX A PROGRESS AGAINST THE 2012/13 AUDIT PLAN AS AT 31 MAY 2012

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Audit Opinion 2011/12								
Monitoring					12		2	
Ad hoc					5		0	Ad hoc work
SIAS Development					5		5	SBC Contribution
2013/14 Audit Plan					5			
Remaining Contingency					24			To be used to address emerging risks
SBC TOTAL					400		35	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS AS AT 31 MAY 2012

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at May 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 will be subject to monitoring every 6 months to see</p>	Implemented

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at May 2012
						<p>if circumstances relating to the case have altered and a different course of action is required.</p> <p>May 2012 - The systematic review was fully completed in April 2012 and actions are being taken following the review where it was felt necessary, a follow up review will now take place in October of this year.</p>	
2.	G4S Cash Collection Arrangements	<p>All differences identified by the Reconciliation Team between 'collected' and 'banked' amounts reported by G4S should be highlighted for possible investigation by the manager responsible for monitoring G4S car park machine cash collections.</p> <p>G4S should be instructed to use approved machine reference ID's.</p>	<p>The Reconciliation Team will make G4S, Keith Moore and the Facilities Helpdesk aware of all identified variances and record them on a spreadsheet, which will also record when there are no variances.</p>	Reconciliations Team	Immediate	None	Implemented with immediate effect