



Stevenage Borough Council
Audit Committee Progress Report
29 May 2013

Recommendation

Members are recommended to note the
Internal Audit Progress Report

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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 2013/14 Internal Audit Plan as at 10 May 2013.
 - b) The findings for the period 8 March to 10 May 2013.
 - c) The proposed amendments required to the approved Annual Internal Audit Plan.
 - d) The implementation status of previously agreed Audit Recommendations.
 - e) An update on performance management information as at 10 May 2013.

Background

- 1.2 Internal Audit's Annual Plan for 2013/14 was approved by the Audit Committee at its meeting on 26 March 2013.
- 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 26 March 2013.
- 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 Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 10 May 2013, 4% of the 2013/14 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated). We forecast that at least 95% of the Audit Plan days will be completed by 31 March 2014. Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 The following 2012/13 reports and assignments have been issued or completed in the period:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
IT Needs & Baseline Assessment	April 2013	N/A	N/A
NNDR	April 2013	Substantial	1 Merits Attention
Housing Benefits	April 2013	Substantial	2 Medium
Housing Rents	April 2013	Substantial	4 Medium 2 Merits Attention
Debtors	March 2013	Substantial	1 Medium
Council Tax	March 2013	Substantial	1 Merits Attention
Cash & Banking	March 2013	Substantial	1 High 3 Medium 5 Merits Attention
Use of Contractors & Consultants	March 2013	Moderate	1 High 3 Medium
Safeguarding	March 2013	Substantial	1 High 4 Medium 2 Merits Attention

Proposed Audit Plan Amendments

- 2.3 There are currently no proposed plan amendments for consideration.

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 seven high priority audit recommendations, with three recommendations having been implemented.

Stevenage Homes

- 2.6 At the committee meeting on 13 June 2012, it was agreed to provide Members with periodic updates on management's progress in implementing the Stevenage Homes audit recommendations raised by PKF. The Home Ownership Services Manager

has provided an update in relation to the one PKF Leaseholder Service Charges recommendation remaining, which is detailed at Appendix C.

Performance Management

- 2.7 The 2013-14 annual performance indicators were approved at the SIAS Board meeting on 5 March 2013. Targets were also agreed by the SIAS Board for the majority of the performance indicators
- 2.10 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 10 May 2013
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	5%	4%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	5%	0%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	N/A	0%
4. Number of High Priority Audit Recommendations agreed	95%	N/A	0%

APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 10 MAY 2013

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 – 100 days								
Main Accounting System					5	No		To Be Allocated
Debtors					8	No		To Be Allocated
Creditors					8	No		To Be Allocated
Treasury Management					8	No		To Be Allocated
Payroll					5	No		To Be Allocated
Council Tax					12	No		To Be Allocated
NNDR					12	No		To Be Allocated
Housing Benefits					12	No		To Be Allocated
Cash and Banking					10	No		To Be Allocated
Capital Accounting					10	No		To Be Allocated
Housing Rents					10	No		To Be Allocated
Operational Audits – 106 days								
HR&OD (inc. Learning & Development)					20	Yes	5	Fieldwork Underway
Capital Strategy					12	Yes		Allocated
Programme & Projects Benefit Realisation					12	Yes	1	Fieldwork Underway
Single Status					12	Yes		Allocated
Impact of Welfare Reform on Income					12	Yes		Allocated
Corporate Debt Mgt & Debt Policies					8	Yes	1	Planning - On hold to Q3 at Client request
Overarching Review of Operation Risk					10	No		To Be Allocated

APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 10 MAY 2013

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Management								
Integrated Financial Planning					10	No	To Be Allocated	
Supported Housing Grants					10	Yes	5	Fieldwork Underway
Risk Management and Governance – 14 days								
Risk Management					6	Yes		Allocated
Corporate Governance					6	Yes		Allocated
Ad Hoc					2	No		To Be Allocated
IT Audits – 34 days								
Shared Service					10	No		To Be Allocated
Data Protection & Data Integrity					12	Yes		Allocated
Business Continuity Planning					12	Yes		Allocated
Procurement – 32 days								
Housing Contracts					20	Yes		Allocated
Extended Follow Up of Decent Homes					12	No		To Be Allocated
Joint Reviews – 6 days								
Waste Partnership Strategy					3	Yes		Allocated
Managing Money					2	Yes		Allocated
New Ways of Working					1	Yes		Allocated
Counter Fraud – 16 day								
Housing Tenancy Fraud Proactive Review					10	Yes	2	Fieldwork Underway
Whistle Blowing Policy					1	Yes		Allocated

APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 10 MAY 2013

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Annual Counter Fraud & Monitoring					5	Yes		Allocated
Follow Up of Previous Audit Report Recommendations – 15 days								
High Priority Recommendations Quarterly Follow Up	N/A				4	Yes		Allocated
Inventory Controls					3	Yes		Allocated
Safeguarding					4	Yes		Allocated
Follow Up (TBC)					4	No		To Be Allocated
Strategic Support – 40 days								
2014/15 Audit Plan					5	Yes		Allocated
Audit Committee					8	Yes		Allocated
External Audit Liaison					4	Yes		Allocated
Annual Report and Head of Internal Audit Opinion 2011/12					5	Yes		Allocated
Monitoring					12	Yes		Allocated
PSIAS					1	Yes		Allocated
SIAS Development					5	Yes		Allocated
Remaining Contingency					37	N/A		
SBC TOTAL					400		14	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 17 th May 2013
1	Buildbase contract	<p>It is recommended that the Head of Property Services [Housing] ensures the timely completion of the Buildbase Contract.</p> <p>A review of the reasons for the delay in signing the contract should be carried out, so that future contracts may be completed in a timelier manner.</p>	<p>Accepted. The contract has now been signed. A review of the reasons for the delay in signing the contract will be completed.</p>	Head of Property Services [Housing]	31 March 2013	<p>15/05/13 - Head of Housing Property Services comment:</p> <p>The contract was signed by the Grafton Group on 21st December 2012.</p> <p>The reasons for the delay in signing the contract have been identified and will be shared with the Contracts and Procurement Group so that future complex contracts are completed more speedily.</p> <p>12/03/13 - Head of Housing Property Services comment:</p> <p>Rather than comments on the individual recommendations, I can comment about the progress being made in automating some of the checks we need to make. I have met with our IT and Business Improvement teams to discuss this and we are confident that we will</p>	Implemented

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 17 th May 2013
						<p>soon be able to automate price checks and identify any duplicate invoices throughout the consolidated invoices over the year. I'm meeting with Buildbase and a colleague from our IT team tomorrow to discuss the formats/frequencies we need this information in. From there, the Business Objects reports need to be written so that we get exception reports. As things stand we're still on track for 31st March for this. I'll also be discussing the KPI's at this meeting.</p>	
2	Buildbase contract	It is recommended the Council reviews the KPI's agreed in the SLA section of the Contract and introduces ways to determine the accuracy of the figures produced by Buildbase or introduces its own methods of monitoring performance, where appropriate.	Accepted	Head of Property Services [Housing]	30 April 2013 Revised timescale of 30 th June 2013	<p>15/05/13 - Head of Housing Property Services comment:</p> <p>This action has not been fully implemented. The current KPI's are suitable for the operational management of the contract. Grafton Group's Partnering Manager has been asked to provide examples of KPI's used in</p>	Partially Implemented

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 17 th May 2013
						<p>other managed stores/materials supply contracts. Revised timescale of 30th June 2013 is suggested.</p> <p>12/03/13 - As above</p>	
3	Buildbase contract	<p>a. It is recommended that a process of checking and agreeing invoiced prices to the contracted prices is introduced without further delay.</p> <p>b. It is recommended that the price lists tendered by Buildbase and the prices agreed within the PfH framework should be made available to the operational management team at the Depot.</p> <p>The Senior Purchasing Officer has suggested that it may be possible to produce Crystal / Business Object reports that can be used to cross check price lists and Buildbase invoice statements of materials</p>	<p>Accepted. A manual system for checking invoiced/tendered priced has been introduced.</p> <p>Buildbase's price lists have been provided to managers at the BMO. The potential for electronically verifying invoiced prices against tendered prices is being investigated.</p>	Head of Property Services [Housing]	31 March 2013 Revised timescale of 30 th June 2013	<p>15/05/13 - Head of Housing Property Services comment:</p> <p>Invoiced/contracted prices are checked through an analysis of Buildbase's monthly reports detailing the top 100 materials lines by spend. This process has not yet been automated. Buildbase have confirmed that they will be able to set up an automated method of transferring data from their system to us for validation. We understand how the data can be validated using the Data Warehouse once the technical details around how the data will be delivered are clarified. A meeting to progress this is scheduled for 4th June 2013</p>	Partially Implemented

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 17 th May 2013
		issued.				12/03/13 - As above	
4	Buildbase contract	<p>a. It is recommended that a process of checking and agreeing items invoiced is introduced to prevent the risk of duplicated charges and errors going undetected.</p> <p>b. It is recommended that evidence of these checks should be maintained.</p> <p>c. It is recommended that all invoices for Buildbase paid via CEL [PfH] on direct debit should be checked and appropriately authorised in a timely manner</p>	<p>Accepted.</p> <p>a. A manual system of checking invoices will be introduced. The potential for checking prices and identifying duplicated charges electronically will also be investigated.</p> <p>b. A system for documenting these checks will be introduced.</p> <p>c. The checks outlined above will enable the direct debit payments to be authorised appropriately</p>	Head of Property Services [Housing]	<p>31 March 2013</p> <p>Revised timescale of 30th June 2013</p>	<p>15/05/13 - Head of Housing Property Services comment:</p> <p>Invoiced/contracted prices are checked through an analysis of Buildbase's monthly reports detailing the top 100 materials lines by spend. The principle for identifying any duplicated invoices has been established and will be introduced when the automated method of transferring data referred to above is implemented. The monthly invoices are now being checked and authorised appropriately.</p> <p>12/03/13 - As above</p>	Partially Implemented
5	Cash & Banking	All differences identified by the Reconciliation Team between 'collected' and 'banked' amounts reported by G4S should be highlighted for possible investigation by the	The Reconciliation Team will make G4S, The Group Leader (Property & Estates) and the Facilities Helpdesk aware of all identified variances and record them on a spreadsheet, which will	Reconciliation Team	At time of Audit	Implemented prior to issue of final report	Implemented

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 17 th May 2013
		manager responsible for monitoring G4S car park machine cash collections	also record when there are no variances.				
6	Use of Contractors & Consultants	The Contract Standing Order rules are not currently adhered to, in some instances, and it is therefore important that a formal tender process is commenced with suppliers where the value of work is expected to exceed £75,000. We would also recommend that a review of the spend analysis is completed to identify where contracts are absent with other suppliers.	Spend analysis is completed annually however as part of the on-going development of this facility Corporate Procurement will consider including previous years spend within the analysis in order to track lower value repeat requirements which may aggregate to a requirement for a more formal contract, i.e. 2 years of £50k spend with one supplier.	Departmental Managers / Corporate Procurement	On-going / Annually Revised date: 31 July 2013	17/05/13 - Corporate Procurement Manager comment: The annual spend analysis for 2012/13 will be completed by Corporate Procurement by July 2013. Corporate Procurement will check the data against the previous years spend to identify any potential aggregation spend issues over the two year period. Departmental Managers should also be aware through their own processes of the values being spent with individual suppliers within their departments to ensure that they are not in excess of procurement thresholds over a four year period. This message reminding Departmental Managers to check their expenditure with individual suppliers	Partially Implemented

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 17 th May 2013
						will be communicated by the Corporate Procurement Manager through the next Contracts and Procurement Group Meeting (which is attended by representatives from all service areas of the Council) due to take place in July 2013.	
7	Safeguarding	The council should consider the proposals in the Safeguarding Children Action Plan 2012 – 2014 and if endorsed, ensure that each one of these issues is formally allocated as risks to senior managers who have the authority to strengthen them.	The actions are or shall be agreed with each head of service, where their service is required to contribute or lead. SMB shall hold each service to account via the Strategic Director for Community who acts as the Safeguarding Champion.	Through co-ordination by the Children's Services Manager	April 2013	<p>17/05/13 - Children's Services Manager [CSM]comment:</p> <p>SMB endorsed the Safeguarding Children Action Plan on 23rd April 2013. SMB agreed the allocation of senior managers to ensuring the delivery of each action.</p> <p>The CSM stated that the SMB report was written and states '...following agreement with the relevant Departmental Managers.</p>	Implemented

Leaseholder Service Charges

Rec. No.	Recommendation	Associated Risk	Priority	Responsible Officer	Management Response	Implementation date	Management Update	Auditor Comment
1	<p>Collection of service charges and leaseholder contributions to major works</p> <p>It is recommended that the management information systems maintained by the Home Ownership Services Team should be reviewed to ensure that they provide the most effective support to the delivery of the service.</p>	Failure to deliver value for money	M	Home Ownership Services Manager	<p>Recommendation Agreed:</p> <p>Data is forwarded to HOST via MSEXcel, which is then broken down further for ease of understanding for leaseholders. An audit of the management information systems by the E- Government & Business Systems Team during this financial year will assist in identifying areas and priorities for improvement.</p>	<p>Original Date Dec-12</p> <p>Revised Date 31 May 2013</p>	<p>May 2013 – No further comment from Home Ownership Services Manager as not yet due for implementation.</p> <p>March 2013 – As previously mentioned, this task relates to SBC audit of the management information systems by the E- Government & Business Systems Team., which is not within HOST remit to change the format of data received from other teams, being mindful that the corporate systems in place produce and saves reports in a particular format (excel) which is suitable for ease of editing.</p> <p>However, HOST has met with the Housing IT support team to reviewed the functionality of the Northgate system to maximise its automation potential for creating invoice templates, duplication and information breakdown. Due to the Housing IT workload, a tentative commencement date for the end of May 2013 has been proposed.</p> <p>Home Ownership Services Manager 11/03/13</p>	Partially implemented

Rec. No.	Recommendation	Associated Risk	Priority	Responsible Officer	Management Response	Implementation date	Management Update	Auditor Comment
							<p>November 2012 – we await the outcomes of the audit of the management information systems by the E- Government & Business Systems Team</p> <p>August 2012 - This task relates to SBC audit of the management information systems by the E- Government & Business Systems Team. It is not within our remit to change the format of data received from other teams, being mindful that the corporate systems in place produce and saves reports in a particular format (excel) which is suitable for ease of editing.</p> <p>July 2012 - This task relates to SBC audit of the management information systems by the E- Government & Business Systems Team. It is not within our remit to change the format of data received from other teams, being mindful that the corporate systems in place produce and saves reports in a particular format (excel) which is suitable for ease of editing.</p>	