



Stevenage Borough Council  
Audit Committee

9 September 2013

Shared Internal Audit Service –  
Progress Report

Recommendation

Members are recommended to note the  
Internal Audit Progress Report

## Contents

### 1 Introduction and Background

- 1.1 Purpose
- 1.2 Background

### 2 Audit Plan Update

- 2.1 Delivery of Audit Plan and Key Findings
- 2.3 Proposed Amendments to Audit Plan
- 2.4 High Priority Recommendations
- 2.6 Stevenage Homes
- 2.7 Performance Management

### Appendix

A – Progress against the 2013/14 Audit Plan

B – Implementation Status of High Priority Recommendations

C – Implementation Status of Stevenage Homes Recommendation

# 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 26 August 2013.
  - b) The findings for the period 11 May to 26 August 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 26 August 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 29 May 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 26 August 2013, 21% 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:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Payroll CRSA	July 2013	Full	None
Main Accounting CRSA	July 2013	Full	None
Capital Accounting	July 2013	Substantial	1 Medium 1 Merits Attention
Corporate Governance	June 2013	Substantial	1 Medium
IT Security	May 2013	Substantial	3 Medium
Counter Fraud Baseline Assessment	June 2013	N/A	N/A
Risk Management	May 2013	N/A	Follow Up

The following 2013/14 reports and assignments have been issued or completed in the period:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
HR & OD Risks	July 2013	Substantial	1 Medium
Programme & Projects Benefits Realisation	August 2013	Substantial	1 Medium

### 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 four outstanding 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. Management have 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.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target</b>	<b>Actual to 26 August 2013</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	25%	21%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	24%	12%
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	N/A	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	N/A	N/A (None in Period)

**APPENDIX A    PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 26 AUGUST 2013**

**2013/14 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Key Financial Systems – 100 days</b>								
Main Accounting System					5	Yes		Due in Quarter 4
Debtors					8	Yes		Due in Quarter 4
Creditors					8	Yes		Due in Quarter 4
Treasury Management					8	Yes		Due in Quarter 4
Payroll					5	Yes		Due in Quarter 4
Council Tax					12	Yes		Due in Quarter 4
NNDR					12	Yes		Due in Quarter 4
Housing Benefits					12	Yes		Due in Quarter 4
Cash and Banking					10	Yes		Due in Quarter 4
Capital Accounting					10	Yes		Due in Quarter 4
Housing Rents					10	Yes		Due in Quarter 4
<b>Operational Audits – 106 days</b>								
HR&OD (inc. Learning & Development)	Substantial	0	1	0	20	Yes	20	Final Report Issued
Capital Strategy					12	Yes		In planning
Programme & Projects Benefit Realisation	Substantial	0	1	0	12	Yes	12	Final Report Issued
Single Status					12	Yes		Due in Quarter 4
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
Review of Operational Risk Mgt					10	Yes	3	Fieldwork Underway

**APPENDIX A    PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 26 AUGUST 2013**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Integrated Financial Planning					10	Yes		Allocated
Housing Related Support Grants					10	Yes	9	Draft Report Issued
<b>Risk Management and Governance – 14 days</b>								
Risk Management					6	Yes		Due in Quarter 4
Corporate Governance					6	Yes		Due in Quarter 4
Ad Hoc	N/A	N/A			2	No		N/A
<b>IT Audits – 34 days</b>								
IT Shared Service					10	Yes		In Planning
Data Management					12	Yes		In Planning
Business Continuity Planning					12	Yes		In Planning
<b>Procurement – 32 days</b>								
Housing Contracts					20	Yes		Allocated
Extended Follow Up of Decent Homes					12	Yes		Allocated
<b>Joint Reviews – 6 days</b>								
Waste Partnership Strategy					3	Yes		Allocated
Managing Money					2	Yes		Allocated
New Ways of Working					1	Yes		Allocated
<b>Counter Fraud – 16 day</b>								
Housing Tenancy Fraud Proactive Review					10	Yes	9	Report Being Drafted
Whistle Blowing Policy					1	Yes		Allocated
Annual Counter Fraud & Monitoring					5	Yes	4	Draft Report Issued

**APPENDIX A    PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 26 AUGUST 2013**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Follow Up of Previous Audit Report Recommendations – 15 days</b>								
High Priority Recommendations Quarterly Follow Up	N/A	N/A			4	Yes	3	Ongoing
Inventory Controls					3	Yes		Allocated
Safeguarding					4	Yes		Allocated
Follow Up (TBC)					4	Yes		To Be Allocated
<b>Strategic Support – 40 days</b>								
2014/15 Audit Plan					5	Yes		Due in Quarter 4
Audit Committee					8	Yes	4	Ongoing
External Audit Liaison					4	Yes		Ongoing
Annual Report and Head of Internal Audit Opinion 2011/12					5	Yes	5	Completed
Monitoring					12	Yes	4	Ongoing
PSIAS					1	Yes	1	Completed
SIAS Development					5	Yes	1	Ongoing
<b>Remaining Contingency</b>					37	N/A		
<b>SBC TOTAL</b>					<b>400</b>		<b>76</b>	



No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 26 <sup>th</sup> August 2013
1	Building Materials Management 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 the Contractor or introduces its own methods of monitoring performance, where appropriate.	Accepted	Head of Property Services [Housing]	30 April 2013 Revised to: 31st December 2013	<p><b>20/08/13</b> - Assistant Director (Housing) comment:</p> <p>Arrangements are in place as noted below, although SBC officers are working with the Contractor to develop a paperless system of monitoring KPIs. Delays have occurred as this requires additional ICT work not originally planned, at a time when SBC are going through a major ICT upgrade.</p> <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. The Contractor Partnering Manager has been asked to provide examples of KPI's used in other managed stores/materials supply</p>	<b>Partially Implemented</b>

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 26 <sup>th</sup> August 2013
						contracts. Revised timescale of 30 <sup>th</sup> June 2013 is suggested.  12/03/13 - As above	
2	Building Materials Management 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 the Contractor 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 the Contractor's invoice statements of materials issued.</p>	<p>Accepted. A manual system for checking invoiced/tendered priced has been introduced.</p> <p>the Contractor'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 to:  31st December 2013	<p><b>20/08/13</b> Assistant Director (Housing) comment</p> <p>See comment for item 1 (above). Delays due to major ICT upgrade at SBC. It should be noted that the manual checking arrangements ensure recommendation a) has been met.</p> <p>15/05/13 - Head of Housing Property Services comment:</p> <p>Invoiced/contracted prices are checked through an analysis of the Contractor's monthly reports detailing the top 100 materials lines by spend. This process has not yet been automated. The Contractor has confirmed that they will be able to set up an automated method of transferring</p>	<b>Partially Implemented</b>

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 26 <sup>th</sup> August 2013
						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 4 <sup>th</sup> June 2013 12/03/13 - As above	
3	Building Materials Management 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 the Contractor 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]	31 March 2013  Revised to:  31st December 2013	<p><b>20/08/13</b> Assistant Director (Housing) comment:</p> <p>As per comments for items 1&amp;2 (above).</p> <p><b>15/05/13</b> - Head of Housing Property Services comment:</p> <p>Invoiced/contracted prices are checked through an analysis of the Contractor'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</p>	<b>Partially Implemented</b>

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 26 <sup>th</sup> August 2013
						<p>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>	
4	Use of Contractors & Consultants	<p>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.</p>	<p>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.</p>	Departmental Managers / Corporate Procurement	<p>On-going / Annually</p> <p>Revised to: 31 October 2013</p>	<p><b>21/08/13</b> Corporate Procurement Manager comment</p> <p>The annual spend analysis was complete in July 2013. The data for 2012/13 has been amalgamated with the data from the previous year 2011/12 so potential aggregation spend issues can be identified.</p> <p>The spend data was not complete until after the Contracts and Procurement Group meeting had taken place in July so the reminder to check expenditure with individual suppliers will be communicated at the next Contracts and Procurement Group Meeting to be held on</p>	<b>Partially Implemented</b>

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 26 <sup>th</sup> August 2013
						<p>24<sup>th</sup> October 2013.</p> <p><b>20/08/13</b> Assistant Director (Housing) comment:</p> <p>In addition managers in Housing have received procurement refresher training and the SBC CSOs have been updated.</p> <p>17/05/13 - Corporate Procurement Manager comment:</p> <p>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</p>	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 26 <sup>th</sup> August 2013
						<p>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 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.</p>	

## Leaseholder Service Charges

Rec. No.	Recommendation	Associated Risk	Priority	Responsible Officer	Management Response	Implementation date	Management Update	Auditor Comment as at 26 <sup>th</sup> August 2013
1	<p><b>Collection of service charges and leaseholder contributions to major works</b></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><b>Recommendation Agreed:</b></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 &amp; Business Systems Team during this financial year will assist in identifying areas and priorities for improvement.</p>	<p><b>Original Date</b> Dec-12</p> <p><b>Revised Date</b> 31 May 2013</p>	<p><b>27/08/13</b></p> <p>Home Ownership Services Manager Comment:</p> <p>The Home Ownership Services team have met with IT support and a review of the Northgate system has been implemented. Automation has begun with the creation of major works invoices and is now operational.</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 &amp; 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</p>	<p><b>Implemented</b></p> <p>(subject to being evidenced by SIAS)</p>

Rec. No.	Recommendation	Associated Risk	Priority	Responsible Officer	Management Response	Implementation date	Management Update	Auditor Comment as at 26 <sup>th</sup> August 2013
							<p>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> <p>November 2012 – we await the outcomes of the audit of the management information systems by the E- Government &amp; Business Systems Team</p> <p>August 2012 - This task relates to SBC audit of the management information systems by the E- Government &amp; 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-</p>	



Rec. No.	Recommendation	Associated Risk	Priority	Responsible Officer	Management Response	Implementation date	Management Update	Auditor Comment as at 26 <sup>th</sup> August 2013
							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.	