



Stevenage Borough Council  
Audit Committee

18 November 2013

Shared Internal Audit Service –  
Progress Report

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 4 November 2013.
  - b) The findings for the period 27 August to 4 November 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 4 November 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 9 September 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 4 November 2013, 30% 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 and the table at 2.9 provide a status update on each individual deliverable within the audit plan.
- 2.2 The following 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>
Decent Homes Contract Payments (12/13 Review)	October 2013	Moderate	2 Medium 2 Merits Attention
Housing Tenancy Fraud Proactive Review	September 2013	Moderate	4 Medium 4 Merits Attention

### Proposed Audit Plan Amendments

- 2.3 A seminar had been proposed on New Ways of Working. At its September 2013 meeting, the SIAS Board agreed to drop this item as the SIAS management team capacity has been limited as a result of vacancies. This will have no impact on the level of assurance provided as this was not a piece of assurance work per se. The single day allocation for the seminar will be returned to contingency.

### Reporting of Audit Plan Delivery Progress

- 2.4 At the September meeting of this Committee, Members requested clarification around the background to the performance indicators used within progress update reports to show how SIAS is progressing in delivering the Audit Plan.
- 2.5 In 2012 the Audit Committees of a number of SIAS clients requested that our progress reports include a comparison with a predetermined expected level of progress or 'profiled targets'. To date our approach to setting these profiled targets has been based largely around knowledge of the client's plan and the relevant quarter within the year when it is expected the audit will commence and be completed.
- 2.6 Increasing the accuracy of profiling, and therefore the performance data for client committees is something that SIAS is looking to develop further with clients as part of the 14/15 audit planning process. This will include seeking agreement from management on both, a start date, and specific details of the assurances required for each audit prior to the start of the audit year. This process will also aid in ensuring that the impact on the relevant service and its resources is minimised.
- 2.7 We would highlight the fact that, whilst we are attempting to maximise the accuracy of our delivery profiling, it is an area which can be adversely affected by a number of factors including: competing pressures for management; unexpected staff absences; and client project slippage all of which necessitate a flexible approach by both parties.

- 2.8 The first profiled target (as shown in the Table at 2.14) is '**Planned Days** – percentage of actual billable days against planned chargeable days completed' measuring the number of audit days delivered'. Previously we have given a figure based on our judgement. The options available for this profiling approach are set out in the following table, and it would be helpful to understand the Committee's views on the various options:

Option	Comments	Current profile target according to this method
Profile based on 'straight line' method with the profile increased by the same amount each month	Straightforward approach Does not reflect the reality of the profile of work at SBC where the plan is largely delivered in the second half of the year	58%
Profile based on 'judgement' – our best estimate as to a reasonable expectation of progress given our work plan	More complex approach and not easy to substantiate	40%
Profile based on historic progress - compare current year activity with previous year activity	Straightforward approach and reflects typical pattern of delivery at the Council	45%

- 2.9 The second profiled target (refer to table 2.13) is '**Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects'. To help the Committee in assessing the current situation in terms of progress against the projects in the audit plan we have provided an overall progress update in the table below. We have also indicated our confidence level about the work being completed on time based on our knowledge of our resource availability and other factors, as explained in the boxes below. For those audits where we have yet to agree a start date with management we have given further narrative to clarify the current status of the reviews. Again, we are interested to learn whether this presentation aids the Committee in assessing progress against the projects in the plan.

<b>Completed -Draft or Final report has been issued (6)</b>	
Confidence level in completion of this work – Full	
HR&OD (Inc. Learning & Development)	Housing Tenancy Fraud Proactive Review
Programme & Projects Benefit Realisation	Annual Counter Fraud & Monitoring
Review of Operational Risk Mgt - Draft	Housing Related Support Grants - Draft

<b>Fieldwork currently being carried out (13)</b>	
Confidence level in completion of this work – Full	
Council Tax	IT Shared Service
NNDR	Data Management

Housing Benefits	Business Continuity Planning
Housing Rents	Payroll
Main Accounting System	Treasury Management
Debtors	Cash and Banking
Creditors	

<b>Scope and Start date agreed with Management - preliminary work has begun (9)</b>	
Confidence level in completion of this work – Good – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries; all pieces are considered by SIAS to be relatively straightforward	
Waste Partnership Strategy	Extended Follow Up of Decent Homes
Housing Contracts	Capital Accounting
Inventory Controls	Risk Management
Corporate Governance	Whistle Blowing Policy
Safeguarding	

<b>Formal start dates not yet agreed (6)</b>	
Confidence level in completion of this work – Moderate – resources have been allocated by SIAS but dates have not yet been planned in diaries; generally these audits are more complex and will need good engagement with management to ensure delivery	
<b>Audit</b>	<b>Status Update</b>
Capital Strategy	Scope agreed with Asst Director of Finance
Single Status	Scope agreed with Asst Director of Finance
Corporate Debt Mgt & Debt Policies	Scope agreed with Asst Director of Finance
Impact of Welfare Reform on Income	Scope to be agreed
Integrated Financial Planning	Scope to be agreed
Managing Money	Scope to be agreed

<b>Cancelled (1)</b>	
New Ways of Working	

<b>Summary – 4<sup>th</sup> November 2013</b>		
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (35)</b>
Completed	6	17%
Currently in Progress	13	40%
Start Date Agreed	9	26%
Yet to be planned	6	16.5%
Cancelled	1	0.5%

### High Priority Recommendations

- 2.10 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.
- 2.11 The schedule attached at Appendix B details the implementation status of the outstanding high priority audit recommendations. We are recommending the removal

of all currently listed recommendations based on the narratives in the Auditor comments column.

#### Performance Management

2.12 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.

2.13 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 4 November 2013</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	58% Based on 'straight line rate' of 7/12ths	30%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	Please see table under 2.9	
<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)

2.14 At the September Committee Members requested clarification on the SIAS Client Satisfaction Performance Indicator referenced in the SIAS Board Report. This relates to a survey form that is sent out to clients when the final report is issued and asks the key client officer involved with the review to rate our performance in three main areas: planning, fieldwork and reporting as well as giving an overall rating for the review as a whole. With a maximum score of 65 achievable (13 areas with a score of 5 for Excellent) the performance indicator was set at 39, representing 60% of the total achievable. An example of the survey form used is attached Appendix C.

**APPENDIX A    PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 4 NOVEMBER 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	0.5	In Fieldwork
Debtors					8	Yes	1	In Fieldwork
Creditors					8	Yes	1	In Fieldwork
Treasury Management					8	Yes	1	In Fieldwork
Payroll					5	Yes	1	In Fieldwork
Council Tax					12	Yes	1	In Fieldwork
NNDR					12	Yes	3.5	In Fieldwork
Housing Benefits					12	Yes	1	In Fieldwork
Cash and Banking					10	Yes	1	In Fieldwork
Capital Accounting					10	Yes	1	Scope / Start Date Agreed
Housing Rents					10	Yes	2	In Fieldwork
<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		Scope to be Agreed
Programme & Projects Benefit Realisation	Substantial	0	1	0	12	Yes	12	Final Report Issued
Single Status					12	Yes		Scope Agreed
Impact of Welfare Reform on Income					12	Yes		Scope to be Agreed
Corporate Debt Mgt & Debt Policies					8	Yes	1.5	Scope Agreed
Review of Operational Risk Mgt					10	Yes	9.5	Draft Report Issued
Integrated Financial Planning					10	Yes	0.5	Scope to be Agreed



**APPENDIX A    PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 4 NOVEMBER 2013**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Housing Related Support Grants					10	Yes	9	Draft Report Issued
<b>Risk Management and Governance – 14 days</b>								
Risk Management					6	Yes		Scope / Start Date Agreed
Corporate Governance					6	Yes		Scope / Start Date Agreed
Ad Hoc	N/A	N/A			2	N/A	0.5	N/A
<b>IT Audits – 34 days</b>								
IT Shared Service					10	Yes	0.5	In Fieldwork
Data Management					12	Yes		In Fieldwork
Business Continuity Planning					12	Yes		In Fieldwork
<b>Procurement – 32 days</b>								
Housing Contracts					20	Yes	1	Scope / Start Date Agreed
Extended Follow Up of Decent Homes					12	Yes		Scope / Start Date Agreed
<b>Joint Reviews – 6 days</b>								
Waste Partnership Strategy					3	Yes		Scope / Start Date Agreed
Managing Money					2	Yes		Scope to be Agreed
New Ways of Working					0	N/A		Cancelled
<b>Counter Fraud – 16 days</b>								
Housing Tenancy Fraud Proactive Review					10	Yes	10	Final Report Issued
Whistle Blowing Policy					1	Yes		Scope / Start Date

**APPENDIX A    PROGRESS AGAINST THE 2013/14 AUDIT PLAN AT 4 NOVEMBER 2013**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
								Agreed
Annual Counter Fraud & Monitoring					5	Yes	4	Draft Report Issued
<b>Follow Up of Previous Audit Report Recommendations – 15 days</b>								
High Priority Recommendations Quarterly Follow Up	N/A	N/A			4	Yes	4	Ongoing
Inventory Controls					3	Yes		Scope / Start Date Agreed
Safeguarding					4	Yes		Scope / Start Date Agreed
Follow Up (TBC)					4	Yes	0.5	To Be Allocated
<b>Strategic Support – 40 days</b>								
2014/15 Audit Plan					5	Yes		Due in Quarter 4
Audit Committee					8	Yes	5	Ongoing
External Audit Liaison					4	Yes		Ongoing
Annual Report and Head of Internal Audit Opinion 2011/12					5	Yes	5	Completed
Monitoring					12	Yes	6.5	Ongoing
PSIAS					1	Yes	1	Completed
SIAS Development					5	Yes	5	Completed
<b>Remaining Contingency</b>					38	N/A		
<b>SBC TOTAL</b>					<b>400</b>		<b>109.5</b>	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 4 <sup>th</sup> November 2013
1	Building Materials Management Contract	Recommendations classified as items 1-3 of the September Committee Report and covering matters relating to Contract KPIs and the checking of invoices and related prices.	All accepted by Management as detailed in the September Committee Report	Head of Property Services (Housing).	As detailed in the September Committee Report.	As detailed in the September Committee Report.	<p>Members will recall that at the September meeting discussion took place as to the status of these recommendations. We can now confirm that we are satisfied that there are adequate controls in place to address the issues raised and that the outstanding actions simply represent an enhancement of those controls.</p> <p>We therefore recommend that these now be removed. Please also note that these areas will be subject to further audit coverage later in the year</p>

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 4 <sup>th</sup> November 2013
2	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	31 October 2013	<p>Assistant Director (Housing) comment: Managers in Housing have received procurement refresher training and the SBC Contract Standing Orders have been updated.</p> <p>Corporate Procurement Manager comment: The annual spend analysis was complete in July 2013 and the data for 2012/13 has been amalgamated with the data from 2011/12 so potential aggregation spend issues can be identified. At the 24<sup>th</sup> October Meeting of the Contracts and Procurement Group the Corporate Procurement Manager reminded Departmental Managers from all service areas of the Council to regularly check their expenditure with individual suppliers to facilitate further identification of high spend.</p>	<b>Implemented</b>

In order to monitor the effectiveness and improve the service that SIAS provides, we would be grateful if you could take a few minutes to complete this satisfaction questionnaire. Please return your questionnaire to Francis Rice ([francis.rice@hertfordshire.gov.uk](mailto:francis.rice@hertfordshire.gov.uk)).

Please rate each element of the audit by placing a cross (x) in the appropriate box.  
 5 = excellent 4 = very good 3 = satisfactory 2 = potential for improvement 1 = unsatisfactory

**AUDIT PLANNING**

	5	4	3	2	1
1. Audit purpose, objectives and process explained as necessary					
2. Opportunity to discuss and influence the scope of the audit					
3. Contacts, timing and administrative details of the audit discussed and agreed					
4. Auditor(s) had sufficient understanding of the service you provide					

**FIELDWORK**

	5	4	3	2	1
5. Demand on key officer time managed effectively and kept to a minimum as far as possible					
6. Professionalism, courtesy and responsiveness of the auditor(s)					
7. Kept informed of audit progress / effective communication					
8. Most appropriate staff interviewed for the audit areas covered					

**AUDIT REPORTING**

	5	4	3	2	1
9. Opportunity to discuss and comment on draft audit report, including clarity, presentation and length of the report and flexibility in addressing word changes, style and the perspective of the findings.					
10. Accuracy, relevance and fairness of the audit findings and practicality of recommendations					
11. Reasonableness of overall assurance level and audit opinion					
12. Timeliness of draft and final report					

**OVERALL**

13. Value added to your operational area by the audit					
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**Please use the box below if you were dissatisfied with any part of the audit, if you have a suggestion to improve the service or if you have any other comments, either positive or negative.**