



Stevenage Borough Council  
Audit Committee

15 June 2017

Shared Internal Audit Service –  
Progress Report

Recommendation

Members are recommended to note the  
Internal Audit Progress Report for the period to  
27 May 2017

## 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 Audit Plan Amendments

2.4 Reporting of Audit Plan Delivery Progress

2.6 High Priority Recommendations

2.8 Performance Management

### Appendix

A – Progress against the 2017/18 Audit Plan

B – Implementation Status of High Priority  
Recommendations

C – Audit Plan Items (April 2017 to March 2018) -  
start dates agreed with management

# 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 2017/18 Internal Audit Plan as at 27 May 2017.
  - b) The findings for the period 1 April 2017 to 27 May 2017.
  - 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 27 May 2017.

## Background

- 1.2 Internal Audit's Annual Plan for 2017/18 was approved by the Audit Committee at its meeting on 28 March 2017. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.
- 1.3 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 27 May 2017, 8% of the 2017/18 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated).
- 2.2 No final reports have been issued for audits from the 2017/18 Audit Plan. The following 2016/17 reports and assignments have been issued or completed in the period since the last Audit Committee:

| <b>Audit Title</b>       | <b>Date of Issue</b> | <b>Assurance Level</b> | <b>Number of Recommendations</b> |
|--------------------------|----------------------|------------------------|----------------------------------|
| Main Accounting System   | March 2017           | Full                   | None                             |
| Cash and Banking         | March 2017           | Full                   | None                             |
| Debtors                  | April 2017           | Substantial            | 1 Medium                         |
| Creditors                | April 2017           | Substantial            | None                             |
| Payroll                  | April 2017           | Full                   | None                             |
| Officer Standby Payments | April 2017           | Substantial            | 2 Medium                         |
| Right to Buy             | May 2017             | Substantial            | None                             |
| Asbestos Management      | May 2017             | Full                   | None                             |
| Treasury Management      | June 2017            | Full                   | None                             |

### Proposed Audit Plan Amendments

- 2.3 There have been no proposed changes to the 2017/18 Audit Plan.

Reporting of Audit Plan Delivery Progress

- 2.4 At the meeting of this Committee on 18 November 2013, it was agreed that the method for reporting on audit plan delivery progress be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan. This approach is reflected in the figures at 2.9 (below).
- 2.5 To help the Committee in assessing the current situation in terms of progress against the projects in the audit plan we have continued to provide an overall progress update in the table below. In addition, we have agreed formal audit start dates with management and have allocated resources accordingly; details can be found in Appendix C. This is designed to help facilitate a smoother level of audit plan delivery through the year.

|   |  |
|---|--|
| <b>Draft Report Issued (0)</b>                            |  |
| Confidence level in completion of this work – <b>Full</b> |  |
| No audits currently at draft report stage                 |  |

|   |  |
|---|--|
| <b>In Fieldwork / Drafting Report (1)</b>                 |  |
| Confidence level in completion of this work – <b>Full</b> |  |
| Local Authority Serious and Organised Crime Checklist     |  |

|   |                         |
|---|-------------------------|
| <b>Terms of Reference Issued / In Planning - Scope and Start date agreed with Management - preliminary work has begun (6)</b>   |                         |
| Confidence level in completion of this work – <b>Full</b> – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries |                         |
| Payroll Self-Service  | Integra Upgrade         |
| Repairs and Voids Service - Standby and Callout Payments  | Contract Management     |
| Incident Management   | Cemetery Fuel Follow-up |

|   |   |
|---|---|
| <b>Allocated / No work commenced (28)</b>   |   |
| Confidence level in completion of this work – <b>Moderate</b> – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries |   |
| Main Accounting System (General Ledger)   | Debtors                                 |
| Creditors   | Treasury Management                     |
| Payroll   | Council Tax                             |
| NDR   | Housing Benefits                        |
| Cash and Banking  | Housing Rents                           |
| Mutual Exchanges  | Empty Properties / Voids                |
| Off-street Parking  | Repairs and Voids Service               |
| Health and Safety   | Commercial Properties                   |
| Customer Service Centre - Complaints Handling   | Shared Legal Services                   |
| DFG Capital Grant Certification   | Housing Development - Kenilworth Scheme |
| Risk Management   | Corporate Governance                    |

|                             |                                   |
|-----------------------------|-----------------------------------|
| IT Procurement              | Mobile Device Management and BYOD |
| IT Shared Service Agreement | Cyber Security                    |
| Joint Reviews - tbd         | Housing Allocations Follow-up     |
|                             |                                   |

| <b>Cancelled / Deferred (0)</b>         |  |
|---|--|
| No 2017/18 audits deferred or cancelled |  |

| <b>Summary – 27 May 2017</b>   |                                   |                               |
|--------------------------------|-----------------------------------|-------------------------------|
| <b>Status</b>                  | <b>No of Audits at this Stage</b> | <b>% of Total Audits (35)</b> |
| Draft / Final Report           | 0                                 | 0%                            |
| Quality Review                 | 0                                 | 0%                            |
| In Fieldwork / Drafting Report | 1                                 | 3%                            |
| In Planning / ToR Issued       | 6                                 | 17%                           |
| Allocated – Yet to start       | 28                                | 80%                           |

|                      |   |    |
|----------------------|---|----|
| Cancelled / Deferred | 0 | 0% |
|----------------------|---|----|

### 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 any outstanding high priority audit recommendations.

### Performance Management

- 2.8 The 2017/18 annual performance indicators were approved at the SIAS Board meeting in March 2017. Targets were also agreed by the SIAS Board for the majority of the performance indicators.
- 2.9 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 27 May 2017</b> |
|---|----------------------|------------------------|------------------------------|
| <b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed | 95%                  | 13% (50 / 380 days)    | 8% (32 / 380 days)           |
| <b>2. Planned Projects</b> – percentage of actual completed projects to                               | 95%                  | 3% (1 / 35 projects)   | 0% (0 / 35 projects)         |

|   |      |      |                                  |
|---|------|------|----------------------------------|
| draft report stage against planned completed projects   |      |      |                                  |
| <b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level | 100% | 100% | 100% (none received for 2017/18) |
| <b>4. Number of High Priority Audit Recommendations agreed</b>  | 95%  | N/A  | N/A (none in for 2017/18)        |

**APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 27 MAY 2017**

**2017/18 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 (General Ledger)                  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Debtors  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Creditors  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Treasury Management                                      |                    |      |   |    | 8               | Yes                   | 0                       | Allocated                    |
| Payroll – CRSA Year                                      |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Council Tax  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| NDR  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Housing Benefits   |                    |      |   |    | 12              | Yes                   | 0                       | Allocated                    |
| Cash and Banking   |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Housing Rents  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| <b>Operational Audits – 115 days</b>                     |                    |      |   |    |                 |                       |                         |                              |
| Mutual Exchanges   |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Empty Properties / Voids                                 |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Off-street Parking                                       |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Repairs and Voids Service                                |                    |      |   |    | 16              | Yes                   | 0.5                     | In Planning                  |
| Health and Safety  |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Commercial Properties                                    |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Payroll Self-Service                                     |                    |      |   |    | 10              | Yes                   | 1.5                     | TOR issued                   |
| Integra Upgrade  |                    |      |   |    | 10              | Yes                   | 0.5                     | In Planning                  |
| Customer Service Centre - Complaints Handling            |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |
| Repairs and Voids Service - Standby and Callout Payments |                    |      |   |    | 7               | Yes                   | 0.5                     | In Planning – deferred to Q3 |
| Shared Legal Services                                    |                    |      |   |    | 10              | Yes                   | 0                       | Allocated                    |



**APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 27 MAY 2017**

| AUDITABLE AREA   | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|----------------|
|  |                    | H    | M | MA |                 |                       |                         |                |
| DFG Capital Grant Certification  |                    |      |   |    | 2               | Yes                   | 0                       | Allocated      |
| <b>Procurement, Contract Management and Project Management – 11 days</b> |                    |      |   |    |                 |                       |                         |                |
| Contract Management  |                    |      |   |    | 10              | Yes                   | 2.5                     | ToR Issued     |
| Housing Development - Kenilworth Scheme                                  |                    |      |   |    | 1               | Yes                   | 0                       | Allocated      |
| <b>Risk Management and Governance – 12 days</b>                          |                    |      |   |    |                 |                       |                         |                |
| Risk Management  |                    |      |   |    | 6               | Yes                   | 0                       | Allocated      |
| Corporate Governance   |                    |      |   |    | 6               | Yes                   | 0                       | Allocated      |
| <b>IT Audits – 30 days</b>   |                    |      |   |    |                 |                       |                         |                |
| IT Procurement   |                    |      |   |    | 6               | Yes                   | 0                       | Allocated      |
| Mobile Device Management and BYOD  |                    |      |   |    | 6               | Yes                   | 0                       | Allocated      |
| IT Shared Service Agreement  |                    |      |   |    | 6               | Yes                   | 0                       | Allocated      |
| Incident Management  |                    |      |   |    | 6               | Yes                   | 0.5                     | In Planning    |
| Cyber Security   |                    |      |   |    | 6               | Yes                   | 0                       | Allocated      |
| <b>Shared Learning and Joint Reviews – 10 days</b>                       |                    |      |   |    |                 |                       |                         |                |
| Shared Learning  |                    |      |   |    | 5               | Yes                   | 0.5                     | Through Year   |
| Joint Reviews - tbd  |                    |      |   |    | 5               | Yes                   | 0                       | Allocated      |
| <b>Counter Fraud – 12 days</b>   |                    |      |   |    |                 |                       |                         |                |
| Local Authority Serious and Organised Crime Checklist                    |                    |      |   |    | 12              | Yes                   | 3.0                     | In Fieldwork   |
| <b>Ad Hoc Advice – 5 days</b>  |                    |      |   |    |                 |                       |                         |                |
| Ad Hoc Advice  |                    |      |   |    | 5               | Yes                   | 0.5                     | Through Year   |
| <b>Follow-up Audits</b>  |                    |      |   |    |                 |                       |                         |                |
| Housing Allocations  |                    |      |   |    | 5               | Yes                   | 0                       | Allocated      |
| Cemetery Fuel  |                    |      |   |    | 3               | Yes                   | 0                       | In Planning    |
| <b>Completion of 16/17 Projects – 30 days</b>                            |                    |      |   |    |                 |                       |                         |                |
| Other  |                    |      |   |    | 3               |                       | 2.5                     | Ongoing        |

**APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 27 MAY 2017**

| AUDITABLE AREA   | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT                   |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|----------------------------------|
|  |                    | H    | M | MA |                 |                       |                         |                                  |
| Refugee Resettlement Programme                           |                    |      |   |    | 5               | Yes                   | 1                       | In Fieldwork                     |
| Concessions  |                    |      |   |    | 0               | Yes                   | 0                       | Cancelled                        |
| Medium Term Financial Strategy Benchmarking              |                    |      |   |    | 3               | Yes                   | 0                       | Quality Review                   |
| Overtime   |                    |      |   |    | 9               | Yes                   | 2                       | In Fieldwork – June commencement |
| Managing Use of Council Vehicles                         |                    |      |   |    | 5               | Yes                   | 0                       | In Fieldwork – deferred to Q3    |
| Agency Staff   |                    |      |   |    | 4               | Yes                   | 1                       | In Fieldwork – June commencement |
| Joint Review - Local Authority Trading                   |                    |      |   |    | 0.5             | Yes                   | 0                       | In Fieldwork                     |
| Joint Review - Prevent                                   |                    |      |   |    | 0.5             | Yes                   | 0                       | In Fieldwork                     |
| <b>Contingency – 10 days</b>                             |                    |      |   |    |                 |                       |                         |                                  |
| Contingency  |                    |      |   |    |                 |                       |                         |                                  |
| <b>Strategic Support – 47 days</b>                       |                    |      |   |    |                 |                       |                         |                                  |
| Annual Report and Head of Internal Audit Opinion 2016/17 |                    |      |   |    | 5               |                       | 5                       | Complete                         |
| Audit Committee  |                    |      |   |    | 10              |                       | 2                       | Through Year                     |
| Client Liaison   |                    |      |   |    | 8               |                       | 1                       | Through Year                     |
| Liaison with External Audit                              |                    |      |   |    | 2               |                       | 0.5                     | Completed                        |
| Monitoring   |                    |      |   |    | 12              |                       | 2                       | Through Year                     |
| SIAS Development   |                    |      |   |    | 5               |                       | 5                       | Complete                         |
| 2018/19 Audit Planning                                   |                    |      |   |    | 5               |                       | 0                       | Through Year                     |
| <b>SBC TOTAL</b>   |                    |      |   |    | <b>390</b>      |                       | <b>32</b>               |                                  |

## APPENDIX B - IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title  | Recommendation   | Management Response   | Responsible Officer               | Implementation Date          | History of Management Comments   | Auditor Comment as at 27 May 2017  |
|-----|---------------|--|---|-----------------------------------|------------------------------|--|--|
| 1.  | Commercialism | <p>In conjunction with a wider communication strategy to raise the profile of commercial thinking within the Council (see finding 2), encourage officers to come forward with potential ideas, ensuring that there are appropriate channels in place to facilitate the collection of such ideas for review by the programme board.</p> <p>Such ideas could be generated through workshops or brainstorming sessions for officers (either targeted towards senior individuals or more widely across the Council, including Members), which will also support the communication strategy by raising awareness of commercialism.</p> <p>The workshops could be facilitated either internally (where appropriate skills and knowledge are available) or externally by consultants or officers from other local authorities which</p> | <p>The role of the newly appointed Commercial Manager will be to review current and new income opportunities. In addition the Financial Security (FS) Officers Group is sending out a newsletter to staff explaining the FS work stream, asking them for ideas (rebranding a previous email address for ideas), giving tips and planning drop in sessions for staff.</p> <p>It is envisaged that the Commercial Manager in conjunction with staff engagement and the new Senior Management Review will generate ideas and other efficiency options as part of the SMR2. There will also be efficiencies through the</p> | Financial Security Officers Group | 30 November 2016 and ongoing | <p>This is a new addition and the management response opposite is the latest comment.</p> <p>15/03/2017 - The Commercial Manager post will be appointed when the new AD Corporate Projects, Customer Service and IT is in post (due March 2017). The job description and grading has been completed.</p> <p>A Finance Newsletter has been produced and at the last Leadership Forum held, the AD Finance and Estates did a presentation to managers, which was interactive with officers being asked to propose options together with a FS options into a drop box if preferred. These options are being reviewed by the FS Finance Team.</p> <p>The Commercial Property Strategy has been</p> | <p>See history of management comments.</p> <p>Partly implemented. Although actions have taken place, the appointment of the Commercial Manager will be crucial in driving the commercial agenda forward.</p> |

**APPENDIX B - IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

| No. | Report Title | Recommendation                                       | Management Response  | Responsible Officer | Implementation Date | History of Management Comments   | Auditor Comment as at 27 May 2017       |
|-----|--------------|--|--|---------------------|---------------------|--|---|
|     |              | have successfully implemented a commercial approach. | 'connecting to our customers' work stream (digital agenda).The AD Finance and Estates will be presenting to the Leadership Forum (150 managers about the FS work stream. |                     |                     | approved by the Executive and is recommended for Council to approve in May 2017. This is projected to contribute £200K per year to the FS target.<br><br>05/06/2017 - The AD Corporate Projects, Customer Services and Technology is now in post and recruitment for a Commercial Manager post will commence in July 2017. | Partly implemented – see comment above. |

**APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) - START DATES AGREED WITH MANAGEMENT**

| <b>Apr</b>   | <b>May</b>  | <b>Jun</b>   | <b>July</b>               | <b>Aug</b>                                  | <b>Sept</b>                     |
|--|---|--|---------------------------|---|---------------------------------|
| 16/17 Audit - Overtime<br><b>(Fieldwork commenced – June 2017)</b>                         | Follow-up – Cemetery Fuel<br><b>(In Planning)</b>   | Local Authority Serious and Organised Crime Checklist<br><b>(In Fieldwork)</b> | IT Procurement            | Incident Management<br><b>(In Planning)</b> | DFG Capital Grant Certification |
| 16/17 Audit – Managing Use of Council Vehicles<br><b>(Deferred to Q3)</b>                  | Integra Upgrade<br><b>(In Planning)</b>   | Health and Safety Compliance   | Commercial Properties     | Mobile Device Management and BYOD           | IT Shared Service Agreement     |
| 16/17 Audit – Refugee Resettlement Programme<br><b>(Fieldwork commenced – May 2017)</b>    | Payroll Self-Service<br><b>(ToR Issued)</b>   | Cyber Security<br><b>(Deferred to Q4)</b>                                      | Repairs and Voids Service | Off-Street Parking                          | Mutual Exchanges                |
| 16/17 Audit – Concessions<br><b>(Cancelled)</b>  | Repairs and Voids Service - Standby and Callout Payments<br><b>(In Planning - deferred to Q3)</b> |  |                           |   |                                 |
| 16/17 Audit – MTFS Benchmarking<br><b>(Quality Review)</b>                                 |   |  |                           |   |                                 |
| 16/17 Audit – Joint Reviews (Prevent and Local Authority Trading)<br><b>(In Fieldwork)</b> |   |  |                           |   |                                 |
| 16/17 Audit – Agency Staff<br><b>(Fieldwork commenced – June 2017)</b>                     |   |  |                           |   |                                 |

**APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) - START DATES AGREED WITH MANAGEMENT**

---

| <b>Oct</b>                                 | <b>Nov</b>       | <b>Dec</b>          | <b>Jan</b>  | <b>Feb</b>           | <b>Mar</b>                                 |
|--|------------------|---------------------|---|----------------------|--|
| Main Accounting System<br>(General Ledger) | Cash and Banking | Treasury Management | Follow-up – Housing<br>Allocations                  | Risk Management      | Housing Development -<br>Kenilworth Scheme |
| Debtors                                    | NDR              | Payroll             | Empty Homes / Voids                                 | Corporate Governance |  |
| Creditors                                  | Housing Benefits | Housing Rents       | Customer Service<br>Centre – Complaints<br>Handling | Shared Legal Service |  |
| Council Tax                                |                  |                     |   |                      |  |

This is an indicative spread of audit start dates that may change as the financial year progresses.  
All key financial systems audits have been brought forward to accommodate early closure and external audit requirements.