



Stevenage Borough Council  
Audit Committee

28 March 2017

Shared Internal Audit Service –  
Progress Report

Recommendation

Members are recommended to note the  
Internal Audit Progress Report for the period to  
10 March 2017

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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 2016/17 Internal Audit Plan as at 10 March 2017.
  - b) The findings for the period 16 January 2017 to 10 March 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 10 March 2017.

## Background

- 1.2 Internal Audit's Annual Plan for 2016/17 was approved by the Audit Committee at its meeting on 29 March 2016. 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 10 March 2017, 89% of the 2016/17 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated).
- 2.2 The following 2016/17 reports and assignments have been issued or completed in the period since the last Audit Committee papers were issued:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Risk Management	March 2017	Full	None
Internet and E-mail Usage	February 2017	Substantial	2 Medium
Housing Rents	February 2017	Substantial	2 Merits Attention
NDR	February 2017	Substantial	1 Medium, 1 Merits Attention
Contract Payments	January 2017	Substantial	2 Medium

### Proposed Audit Plan Amendments

- 2.3 Two days were taken from Contingency, with one added to the Officers Expenses (Standby / Call-out payments) audit to support more detailed sample testing, and the other to support Council officers at the year-end stock count at Cavendish Road Depot on 31 March 2017.

### 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>Final Report Issued (20)</b>	
Confidence level in completion of this work – <b>Full</b>	
Gas Services Contract Follow-up	FOI
Data Protection	Trade and Clinical Waste
Corporate Credit Cards	Tree Surveys

DFG Capital Grant Certification	Use of Consultants
Information and Data Management	Housing Allocation Scheme
Cyber Risk	Housing Benefits
Council Tax	Recruitment
Domestic Heating Systems Contract	Contract Payments
Internet and E-mail Usage	Housing Rents
NDR	Risk Management

<b>Draft Report Issued (7)</b>	
Confidence level in completion of this work – <b>Full</b>	
Main Accounting System	Treasury Management
Cash and Banking	Right to Buy
Officer Expenses	Digital Information Management
Creditors	

<b>In Quality Review (2)</b>	
Confidence level in completion of this work – <b>Full</b>	
Asbestos Management	Payroll

<b>In Fieldwork (6)</b>	
Confidence level in completion of this work – <b>Moderate</b> – There is a low to reasonable chance that these may not complete in 2016/17.	
Managing the use of Council Vehicles	Benchmarking Medium Term Financial Strategy
Joint Review - Prevent	Joint Review – Local Authority Trading
Debtors	Significant Counter Fraud Risks

<b>Terms of Reference Issued / In Planning - Scope and Start date agreed with Management - preliminary work has begun (2)</b>	
Confidence level in completion of this work – <b>Low</b> – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates to commence are planned in diaries; Unlikely to complete in 2016/17.	
Refugee Resettlement Programme	Concessions

<b>Allocated / No work commenced (2)</b>	
Confidence level in completion of this work – <b>Low</b> – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries; Unlikely to complete in 2016/17.	
N/A	

<b>Deferred – Q1 2017/18</b>	
Overtime	Agency Staff

<b>Summary</b>		
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (37)</b>
Draft / Final Report	27	73%
Quality Review	2	5%
In Fieldwork	6	17%
In Planning / ToR Issued	2	5%
Allocated – Yet to start	0	0%

Cancelled / Deferred	2	
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### 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 indicates that there is one high priority audit recommendation arising from the Commercialism audit. The latest management update is disclosed in the appropriate column.

### Performance Management

- 2.8 The 2016/17 annual performance indicators were approved at the SIAS Board meeting in March 2016. 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 14 January 2017</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	93% (345/370 days)	89% (329.5/370 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	81% (30/37 projects)	73% (27/37 projects)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	N/A
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	None yet made in 2016/17

## APPENDIX A - PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 10 MARCH 2017

### 2016/17 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 – 96 days</b>								
Main Accounting System – CRSA Year 1					8	Yes	7.5	Draft Report Issued
Debtors – Full Audit					10	Yes	8.0	In Fieldwork
Creditors – Full Audit					10	Yes	9.5	Draft Report Issued
Treasury Management - CRSA Year 2					8	Yes	7.5	Draft Report Issued
Payroll – CRSA Year 1					8	Yes	7	Quality Review
Council Tax – Full Audit	Substantial	0	1	1	10	Yes	10	Final Report issued
NDR – Full Audit	Substantial	0	1	1	10	Yes	10	Final Report issued
Housing Benefits - Full Audit	Full	0	0	0	12	Yes	12	Final Report issued
Cash and Banking – Full Audit					10	Yes	9.5	Draft Report Issued
Housing Rents – Full Audit	Substantial	0	0	2	10	Yes	10	Final Report issued
<b>Operational Audits – 155 days</b>								
Overtime					2	Yes	2	Deferred Q1 17/18
Agency Staff					4	Yes	4	Deferred Q1 17/18
Asbestos Management					10	Yes	9.5	Quality Review
Data Protection	Substantial	0	2	2	10	Yes	10	Final Report issued
Information / Data Management	Substantial	0	1	4	10	Yes	10	Final Report Issued
Trade / Clinical Waste (incl. Large Item Collection)	Substantial	0	0	3	10	Yes	10	Final Report Issued
Recruitment	Substantial	0	0	2	10	Yes	10	Final Report Issued
Right to Buy					10	Yes	9.5	Draft Report Issued
Housing Allocations Scheme	Substantial	0	0	5	15	Yes	15	Final Report Issued
Refugee Resettlement Programme					5	Yes	0.5	In Planning
Concessions					9	Yes	2.5	In Planning
Benchmarking Medium Term Financial					10	Yes	5	In Fieldwork

**APPENDIX A - PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 10 MARCH 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Strategy								
Officers Expenses (incl. Standby Payments)					6	Yes	5.5	Draft Report Issued
Corporate Credit Cards	Substantial	0	4	2	10	Yes	10	Final Report Issued
Tree Surveys	Full	0	0	0	5	Yes	5	Final Report Issued
Freedom of Information	Substantial	0	2	5	6	Yes	6	Final Report Issued
Managing Personal Use of Council Vehicles					10	Yes	4	In Fieldwork
Domestic Heating Systems Contract	Substantial	0	3	1	10	Yes	10	Final Report Issued
Gas Services Contract Follow-Up	N/A	0	0	0	2	Yes	2	Final Report Issued
DFG Capital Grant Certification	N/A	0	0	0	1	Yes	1	Final Report Issued
<b>Risk Management and Governance – 6 days</b>								
Risk Management					6	Yes	6	Final Report Issued
<b>Shared Learning and Joint Reviews – 10 days</b>								
Shared Learning Newsletters Audit Committee Workshop					5	Yes	1.5	Through year
Joint Review – Benchmarking Workshop -Prevent Agenda and Trading					5	Yes	3	In Fieldwork
<b>Procurement, Contract Management and Project Management – 20 days</b>								
Contract Payments	Substantial	0	2	0	10	Yes	10	Final Report Issued
Use of Consultants	Moderate	0	5	1	10	Yes	10	Final Report Issued
<b>IT Audits – 16 days</b>								
Internet and E-mail Usage	Substantial	0	2	0	4	Yes	4	Final Report Issued
Cyber Risk	Moderate	0	3	2	8	Yes	8	Final Report Issued
Digital Information Management					4	Yes	4	Draft Report Issued
<b>Counter Fraud – 5 days</b>								
Significant Counter-Fraud Risks					5	Yes	2.5	In Fieldwork



**APPENDIX A - PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 10 MARCH 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Ad Hoc Advice – 5 days</b>								
Ad Hoc Advice					5	Yes	4.5	Through Year
Year End Stock Count					1	Yes	0.0	Year End
<b>Completion of 15/16 Projects – 10 days</b>								
Cash and Banking	Full	0	0	0		Yes	0.5	Final Report Issued
Cash Kiosk	Full	0	0	0		Yes	0.5	Final Report Issued
Security of Desirable Assets	Substantial	0	3	0		Yes	0.5	Final Report Issued
BMO (Repairs and Voids) Materials Follow-up	N/A					Yes	1.5	Final Report Issued
Officers Expenses	Substantial	0	0	1		Yes	1.5	Final Report Issued
Roofing Contract – Breyers and Lakehouse	Substantial	0	3	3		Yes	1.5	Final Report Issued
Corporate Governance	Full	0	0	0		Yes	0.5	Final Report Issued
Risk Management	Full	0	0	0		Yes	0.5	Final Report Issued
IT Helpdesk	Substantial	0	0	2		Yes	0.5	Final Report Issued
Software Licensing	Substantial	0	2	1		Yes	0.5	Final Report Issued
Contract Management Follow-up	N/A					Yes	0.5	Final Report Issued
Procurement Follow-up	N/A					Yes	0.5	Final Report Issued
Commercialism Agenda	Moderate	1	3	3		Yes	1	Final Report Issued
<b>Contingency – 19 days</b>								
Contingency					19			
<b>Strategic Support – 47 days</b>								
2017/18 Audit Plan					5		5	Complete
Audit Committee					10		9	Through Year
External Audit Liaison					2		1.5	Through Year
Annual Report and Head of Internal Audit Opinion 2015/16					5		5	Completed

**APPENDIX A - PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 10 MARCH 2017**

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Monitoring					12		11	Through Year
SIAS Development					5		5	Completed
Client Liaison					8		7	Through Year
<b>SBC TOTAL</b>					<b>390</b>		<b>329.5</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 15 March 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 have successfully implemented a commercial</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 'connecting to our customers' work</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 approved by the Executive and is</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 15 March 2017
		approach.	stream (digital agenda).The AD Finance and Estates will be presenting to the Leadership Forum (150 managers about the FS work stream.			recommended for Council to approve in May 2017. This is projected to contribute £200K per year to the FS target.	

**APPENDIX C - AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) - START DATES AGREED WITH MANAGEMENT**

Apr	May	Jun	July	Aug	Sept
Trade and Clinical Waste <b>Final Report Issued</b>	FOI <b>Final Report Issued</b>	Data / Information Management <b>Final Report</b>	Officers Expenses <b>Draft Report Issued</b>	Contract Payments <b>Final Report Issued</b>	Concessions <b>In Planning – deferred to February</b>
Benchmarking MTFS <b>In Fieldwork</b>	Data Protection <b>Final Report Issued</b>	Cyber Risk <b>Final Report Issued</b>	Housing Allocations Scheme <b>Final Report Issued</b>	Asbestos Management <b>Quality Review</b>	Overtime <b>In Planning – deferred to Q1 17/18</b>
	Gas Services Contract Follow-up <b>Final Report Issued</b>	Tree Surveys <b>Final Report Issued</b>	Corporate Credit Cards <b>Final Report Issued</b>	Use of Consultants <b>Final Report Issued</b>	Managing Personal Use of Council Vehicles <b>In Fieldwork</b>
		Right to Buy <b>Draft Report Issued – deferred to October</b>	DFG Grant Claim Certification <b>Final Report</b>	Recruitment <b>Final Report issued</b>	Domestic Heating Systems Contract <b>Final Report Issued</b>

Oct	Nov	Dec	Jan	Feb	Mar
Benefits <b>Final Report issued</b>	Housing Rents <b>Final Report issued</b>	Treasury Management <b>Draft Report Issued</b>	Cash and Banking <b>Draft Report Issued</b>	Refugee Resettlement Scheme <b>In Planning</b>	Risk Management <b>Draft Report Issued</b>
Council Tax <b>Final Report issued</b>	Payroll <b>Quality Review</b>	Joint Review – Local Authority Trading <b>In Fieldwork</b>	Debtors <b>In Fieldwork</b>	Significant Counter- Fraud Risks <b>In Fieldwork</b>	
NDR <b>Final Report issued</b>	Creditors <b>Quality Review</b>	Joint Review – Prevent <b>In Fieldwork</b>	Internet and E-mail Usage <b>Final Report Issued</b>		
Agency Staff <b>ToR Issued – deferred to Q1 17/18</b>			Main Accounting System <b>Draft Report Issued</b>		
			Digital Information Management <b>Draft Report Issued</b>		