

Report to: Audit Committee
Date of meeting: 30th September 2010
Report of: Audit Manager
Title: Internal Audit Progress Report

- 1.0 **SUMMARY**
This report and appendices provide information on the work undertaken by Internal Audit in the period 1st April 2010 to 31st August 2010.
- 2.0 **RECOMMENDATIONS**
- 2.1 The contents of the report be noted.

Contact Officer:
For further information on this report please contact: Barry Austin – Audit Manager
telephone extension 8032 email: barry.austin@watford.gov.uk

Report approved by: Bernard Clarke – Head of Strategic Finance.

3.0 **DETAILS**

3.1 This report covers the work undertaken by Internal Audit during the five months ended 31st August 2010. Details are set out in the appendices:

- 1) The latest position on individual audits as at 31st August including cumulative time taken for the year compared to the time allocated in the annual audit plan.
- 2) Local performance measures to the same date.
- 3) Main issues arising from work undertaken.

The following paragraphs cover other items of general interest.

3.2 This report covers the first five months of the new Internal Audit arrangements under Shared Services. There have been some initial changes in working practices but there have been no implementation problems and no disruption to the normal workflow. As can be seen from Appendix 1 below, the outstanding audits from 2009/10 have all been completed and work is under way on a number of 2010/11 audits (similar progress has been made on Three Rivers' audits). As previously reported, a secondee from Deloitte has been engaged for a three month period to assist meet the increased workload under Shared Services.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications in this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that there are no legal issues in the report. The Council has a responsibility to ensure that it maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

4.3 **Potential Risks**

4.3.1

Potential Risk	Likelihood	Impact	Overall score
The most significant potential risk is the possibility that Internal Audit work is of poor quality and the service ineffective. This could lead to an increase in control weaknesses, in greater risks to the Council and to a loss of confidence by the external auditors in Internal Audit and the Council's control environment.	1	3	3

In June 2010 this Committee endorsed the conclusion that the system of internal audit had been effective in the past year.

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Audit Files

File Reference

None.

Appendix 1

Work Progress on Individual Audits
2010/2011

Project	Progress as at 31 st August 2010	Days Allocated 2010/11	Days Taken 2010/11
Audits Brought forward – 2009/2010			
Use of Natural Resources	Final report	-	0.5
Budget Monitoring	Final report	-	0.5
Radius	Final report	-	1.5
Data Quality	Final report	-	0.5
Commercial Rents	Final report	-	1
Secure Data Transmission	Report not issued. Dealt with on a Service by Service basis	-	5
Financial Management System	Final report	-	0.5
Partnerships	Final report	-	1.75
2009/10 Audits - Total		-	11.25
2010/2011 Audits			
Shared Audits			
Parking Control	Draft report 06 08 10	20	21.25
Post/Cheque Handling	Draft report 26 07 10	10	14.5
IT – BACS Payments	Draft report 30 06 10	10	11.5
Payroll	Work in progress	20	3.5
IT – IT Service Desk and Change Management	Work in progress	10	4
Creditors		20	
Debtors		20	
Benefits Administration		25	
Council Tax		20	
NNDR		20	
Financial Management System		25	
VAT		10	
Procurement		15	
IT – Information Governance		12	
IT – Disaster Recovery and Back up		10	

Watford BC			
Trade waste	Final report 04 08 10	10	9.5
Performance Management	Draft report 31 08 10	15	15.5
Treasury Management	Work in progress	10	9
Risk Management	Work in progress	10	0.5
Homelessness and Housing Needs	Work in progress	5	4
Authorised signatories	Work in progress	3	3.25
Community Centres transfer	Work in progress	8	1
H&S follow up	Work in progress	10	11.5
Leisure Management Contract monitoring	Work in progress	5	0.25
Asset Management	Work in progress	12	3
Grants to Voluntary Sector	Work in progress	10	5.5
Ben Subsidy Claim		15	
Budgetary Control		10	
Data Quality (inc. security)		10	
Project Management		10	
Cash and Banking		18	

APPENDIX 2

LOCAL PERFORMANCE MEASURES 2010/2011

Criteria	Target p.a. (as per Audit Plan)	To 31st August 2010	Comment
% of annual audit plan achieved. Based on number of audits.	92%	-	Best measured on an annual basis. (Actual 2009/10 – 94.5%). Progress throughout the year is continually monitored by the Audit Manager.
Sickness – average	4	-	(Actual days for 2009/10 – 2)
Training – average	4	0.25	Time includes for internal and external seminars/training. All auditors now hold a relevant qualification and two are now studying for a higher qualification. (Actual 2009/10 – 5.1).

Criteria	Target p.a.	Actual To 31st August 2010	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	(Actual 2009/10 – 100 %)
Level of customer satisfaction	94%	98.15%	Based on 1 questionnaire returned since 1 st April. (Actual 2009/10 –98.2%).

A Completed Audits

The following notes relate to audits completed during the period where service management has been given the opportunity to agree the content of the report and its recommendations.

No significant issues to report.

B Emerging Issues

Ongoing work.

1 IT - BACS Payments

Following two incidents early in the year in which payments/income collection files were transmitted via BACS (Bankers' Automated Clearing Services) on the wrong dates, the scope of the planned audit of BACS was amended to cover alternative means of processing these files to avoid a repetition of such incidents. A revised set of procedure notes was drawn up as part of the audit. The new proposals are currently under review.

2 Post/Cheque Handling

A review of post and change handling arrangements for both WBC and TRDC has been carried out. The recommendations arising from this report are to be fed into a Print and Postal Services VFM review.