

**Report to:** Audit Committee  
**Date of meeting:** 26<sup>th</sup> September 2007  
**Report of:** Audit Manager  
**Title:** Internal Audit Progress Report

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1.0 **SUMMARY**

This report and appendices provide information on the work undertaken by Internal Audit for the period 1<sup>st</sup> April to 31<sup>st</sup> August 2007.

2.0 **RECOMMENDATIONS**

- 2.1 The contents of the report be noted.
- 2.2 The changes made to the annual audit plan be approved.

**Contact Officer:**

For further information on this report please contact: Barry Austin – Audit Manager  
telephone extension 8032 email: [barry.austin@watford.gov.uk](mailto:barry.austin@watford.gov.uk)

**Report approved by:** Janice Maule – Director of Finance.

### 3.0 **DETAILED PROPOSAL**

3.1 This report covers the work undertaken by Internal Audit during the five months ended 31<sup>st</sup> August 2007. Details are set out in the appendices:

- 1) The latest position on individual audits as at 31<sup>st</sup> August including cumulative time taken for the year compared to the time allocated in the annual audit plan.
- 2) Local performance measures for first quarter (to enable comparison with the same period in previous years).
- 3) Main issues arising from work undertaken.

3.2 There are no matters arising from the work completed to date that are likely to have a significant adverse impact on the effectiveness of the Council's control environment. Issues which may otherwise be of interest to Committee are reported in Appendix 3.

3.3 During the period a thorough review of Internal Audit's policies and working practices in comparison to best practice as set out in the Chartered Institute of Public Finance's *Code of Practice for Internal Audit 2006* was completed. The outcome of this exercise and the resultant amended Terms of Reference for Internal Audit are set out elsewhere on the agenda.

3.4 At the last meeting, members expressed concerns about controls in Payroll. Internal Audit has not yet revisited this area as organisational changes are being made. An audit of the Payroll system will be carried out later in the year.

3.5 As Committee approved the original 2007/2008 Annual Audit Plan, approval is now sought for the following actions taken by the Audit Manager:

- a) Time was set aside in the plan for an audit of Westfield Sports Centre but as management of this facility subsequently passed from the Council a full audit of this facility was not carried out. It was not felt necessary to issue an audit report.
- b) Time has been taken from the contingency allocation to review the following:
  - Compliance with the new Payment Card Industry Data Security Standard (6 days).
  - Follow up procedures for Environmental Grants (3 days).
  - Controls in the recently introduced arrangements for charging for staff car parking (5 days).

#### 4.0 **IMPLICATIONS**

##### 4.1 **Financial**

4.1.1 The Head of 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 Democratic 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 Failure to complete the audit work programme would affect the Audit manager's ability to provide a year-end assurance of the overall adequacy and effectiveness of the control environment.

#### 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.

**Work Progress on Individual Audits  
2007/2008**

Project	Progress as at 31 <sup>st</sup> August 2007	Days Allocated 2007/08	Days Taken 2007/08
<b>Audits Brought forward – 2006/2007</b>			
Payroll CHAPS	Draft report 03 05 07	-	2
Support Services Recharges	Draft report 26 03 07	-	-
Asset Management	Final report 20 04 07	-	6
Budget Monitoring	Final report 20 06 07	-	1
<b>2006/07 audits</b>		<b>-</b>	<b>9</b>
<b>2007/2008 Audits</b>			
2006/07 Performance Indicators – review calculation of 2006/07 indicators.	Final report 11 06 07	30	32
Housing Strategy Statistical Appendix – review accuracy of return.	Final report 24 08 07		
Westfield Leisure Centre – restricted audit – income and expenditure controls	Completed 11 06 07	8	5.75
Colosseum – review income and expenditure controls.	Final report 21 06 07	5	5
Bill Everett Centre – review income and expenditure controls.	Draft report 23 08 07	9	6.5
Recovery of Overpaid Benefits – review of system controls.	Draft report 03 08 07	5	6.5
Software Licensing – check on software legality.	Work in progress	10	7.75
Housing Repairs Service – follow up audit	Final report 30 07 07	5	7
Building Control – review income controls.	Work in progress	8	5.75
Staff Car Parking Fees – review new system controls.	Draft report 14 08 07	5	3.75
HB Subsidy Claim – review accuracy of claim.	Work in progress	26	22.5
Environmental Grants – review follow up procedures.	Draft report 14 08 07	3	2.25
Cashiering Function – review system controls.	To draft report stage	5	3.25
Charter Place Market – review income controls.	Work in progress	5	2.75
Housing Stock Transfer – process over-view.	Work in progress	20	3
Housing Rents – follow up audit.	To draft report stage	7	5.25
Payment Card Industry Security – comparison with new industry security standards.	Not started	6	-
Recruitment - follow up audit	Not started	2	-
Sundry Debtors – review of system controls	Work in progress	15	8

Risk Management – review implementation of risk management.	To draft report stage	15	11
Creditors – review of system controls	Not started	15	-
Benefits Administration – review of system controls	Not started	30	-
Corporate Governance – comparison with new standards	Work in progress	15	0.5

## LOCAL PERFORMANCE MEASURES 2007/2008

Criteria	Target p.a. (as per Audit Plan)	To 31 <sup>st</sup> August 2007	Comment
% of annual audit plan achieved. Based on number of audits.	90%	-	Best measured on an annual basis. (Actual 2006/07 – 89.1%). Progress throughout the year is continually monitored by the Audit Manager.
Sickness – days per FTE	4	0.95	(Actual 2.3 days for 2006/07)
Training – days per FTE	6.25	1.75	Time includes for internal and external seminars/training. One auditor is studying for Institute of Internal Auditors - time recorded here excludes distance learning. (Actual 2006/7 – 6.4)

Criteria	Target p.a.	Actual To 31 <sup>st</sup> August 2007	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	Based on 5 reports issued. (Actual 2006/07 – 72.22%)
Level of customer satisfaction	90%	98.75%	Based on 1 questionnaire returned since 1 <sup>st</sup> April. (Actual 2006/07 – 93.94 %).

## **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.

### **1 Best Value Performance Indicators (BVPI) 2006/07**

The annual review of the calculation of BVPIs, prior to their submission to the external auditors, has been completed. Overall, there was a noticeable improvement in the number of results which were correct first time and in the quality of supporting documentation.

### **2 Housing Strategy Statistical Appendix (HSSA) Return 2006/07**

This was an extension of the BVPI audit. The aim was to provide assurance that the return was compiled in accordance with guidance issued by the Department for Communities and Local Government, that adequate supporting evidence was available and that the quality assurance process was satisfactory before the return was submitted to the external auditors. Amendments to the draft return were necessary and recommendations were made for future improvements in arrangements for data collection and levels of evidence.

## **B Emerging Issues**

Ongoing work.

### **Housing Stock Transfer**

Internal Audit has maintained an overview of miscellaneous operational issues as they have arisen. This has been more in an advisory rather than an auditing role. The areas involved included recovery of former tenants' arrears, certification of invoices for payment, access to IT facilities and the number of properties to be transferred. It is felt unlikely that there will be a need for a formal audit report to be issued as a result of our work.