

Report to: Audit Committee
Date of meeting: 19th March 2008
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 for the period 1st December 2007 to 29th February 2008.

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: Janice Maule – Director of Finance.

3.0 **DETAILS**

3.1 This report covers the work undertaken by Internal Audit during the three months ended 29th February 2008. Details are set out in the appendices:

- 1) The latest position on individual audits as at 29th February 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 In an earlier fraud progress report the Committee was advised of investigations carried out following the National Fraud Initiative (NFI) data matching exercise. That exercise has now been extended to include matching electoral registration information with Council Tax data. The aim of this exercise is to compare electoral roll details with properties where the occupant is claiming single person discount. Pilot exercises have identified a sufficient number of such properties where there are several persons recorded on the electoral roll to make the Audit Commission consider it worthwhile to roll the exercise out nationally. Output from the data matching has not been received yet.

3.3 Audit has acquired its own software package (IDEA) which will enable it to carry out its own data matching, apply genuine random sampling techniques and electronically carry out a range of tests on data extracted from other systems.

3.4 An audit of Payroll is about to commence. This is being approached in a way which will minimise the disruption to the work of the new payroll manager as he seeks to familiarise himself with, and then rectify, various procedures introduced by his predecessor.

3.5 A questionnaire has been sent out to a sample of managers across the Council with the aim of testing their perceptions of the arrangements in place to deter and detect fraud. The replies will be analysed to identify areas of weakness in their understanding/awareness of these arrangements. Measures will then be introduced to remedy these.

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 Nothing directly arising from the report. The risk of not completing a substantial percentage of 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.

Appendix 1

Work Progress on Individual Audits
2007/2008

Project	Progress as at 29th February 2008	Days Allocated 2007/08	Days Taken 2007/08
Audits Brought forward – 2006/2007			
Payroll CHAPS	Final report 16 10 07	-	2
Support Services Recharges	Final report 26 09 07	-	-
Asset Management	Final report 20 04 07	-	6
Budget Monitoring	Final report 20 06 07	-	1
2006/07 audits		-	9
2007/2008 Audits			
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.	Final report 18 09 07	9	6.5
Recovery of Overpaid Benefits – review of system controls.	Final report 17 09 07	5	6.5
Software Licensing – check on software legality.	Final report 12 11 07	10	7.75
Housing Repairs Service – follow up audit	Final report 30 07 07	5	7
Building Control – review income controls.	Final report 05 11 07	8	5.75
Staff Car Parking Fees – review new system controls.	Final report 18 10 07	5	3.75
HB Subsidy Claim – review accuracy of claim.	Final report 11 02 08	26	32
Environmental Grants – review follow up procedures.	Final report 21 09 07	3	2.25
Cashiering Function – review system controls.	Final report 22 10 07	5	3.25
Charter Place Market – review income controls.	Final report 12 11 07	5	2.75

Housing Stock Transfer – responding to issues as they arise.	Work completed – no report	20	5
Housing Rents – follow up audit.	Final report 06 09 07	7	5.25
Payment Card Industry Security – comparison with new industry security standards.	Final report 30 01 08	6	4.5
Recruitment - follow up audit	Final report 12 11 07	2	2.5
Sundry Debtors – review of system controls	Final draft report 21 01 08	15	16.25
Risk Management – review implementation of risk management.	Final report 14 11 07	15	15
Creditors – review of system controls	Final report 31 01 08	15	19
Benefits Administration – review of system controls	Draft report 04 01 08	30	35
Corporate Governance – comparison with new standards	Work on hold. To be carried forward.	15	0.5
Bank Reconciliations	Draft report stage	5	5
Council Tax – review of system controls	Draft report 26 02 08	15	18.5
NDR – review of system controls	Work in progress	15	12.5
Budget Monitoring – review of effectiveness	Draft report stage	10	10
Contract Monitoring – review of controls in Environmental Services over selected contracts	Draft report stage	15	16.5
Parking Control – income controls	Final report 20 01 08	8	9
Radius – review of income system controls	Work in progress	15	15.5
Reconciliations – data transfer between systems	Draft report stage	25	31
Support Service Recharges – adherence to policy for recharging.	Work in progress	6	2.5
Watford Women's Centre – performance measures review	Final report 19 02 08	2	3
Fraud Awareness – issue of questionnaire an assessment of replies.	Questionnaire	6	3

	issued.		
HB Fraud Investigation Team – review of BFI recommendations.	Work in progress	7	9.5
Asset Management – comparison with Use of resources criteria.	Not started	15	-
Treasury Management – system review.	Not started	6	-
Payroll – follow up previous recommendations and basic transaction testing.	Not started	20	-

LOCAL PERFORMANCE MEASURES 2007/2008

Criteria	Target p.a. (as per Audit Plan)	To 29th February 2008	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 – average	4	3.48	(Actual 2.3 days for 2006/07)
Training – average	6.25	2.11	Time includes for internal and external seminars/training. All auditors now hold a relevant qualification.

Criteria	Target p.a.	Actual To 29th February 2008	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	Based on 20 reports issued. (Actual 2006/07 – 72.22%)
Level of customer satisfaction	90%	94.23%	Based on 9 questionnaires returned since 1 st 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 Parking Control

Problems have been experienced in the past with the accuracy of record keeping and reconciliations in the Parking Shop. This latest audit concluded that controls over income had improved considerably, that records were kept in good order and the transaction audit trail was well documented. This audit will be repeated in 2008/09 once the new parking control contract comes into force.

2 Creditors (Payment of Invoices)

The payments system was found to be operating effectively with only one area of weakness which related to the risk of making duplicate payments. The audit found that the different practices followed to input invoice numbers into the payment system could negate the system's inbuilt controls which were designed to detect whether invoices (copies/duplicates) had already been paid. Procedures have been changed to ensure a uniform process for inputting these numbers.

3 Risk Management

The key issue arising from this latest audit of risk management was the inconsistent application of agreed risk management arrangements across all Services. Ongoing problems included the failure to regularly update risk registers and inconsistency in the recording of risks in risk registers and service plans. The findings of the audit were reported to the Risk Management Group where further action was agreed. This will be subject to future testing.

The development of Business Continuity Plans was reviewed. Whilst there is a corporate plan and individual services have prepared their own plan it was noted that no testing of these had been carried out. This is one of the mandatory Use of Resources requirements. (A sub-group of the Risk Management Group has been set up to carry out testing of some elements of continuity plans).

B Emerging Issues

Ongoing work.

1 Budget Monitoring

Work is underway to try to establish why there are sometimes significant variations between the forecast year end figures and the actual outturn. There have been no firm conclusions reached at this stage.

2 Contract Monitoring

A review of monitoring arrangements for the vehicle maintenance contract and for the leasing of vehicles is underway. Apparent weaknesses which are being investigated include a failure to check the accuracy of charges made for work which falls outside of the maintenance contract and the lack of both vehicle lease agreements and the original maintenance contract which means it has not, to date, been possible to check charges being made back to the original documentation.