

Report to: Audit Committee
Date of meeting: 30th September 2009
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 2009 to 31st August 2009.

2.0 **RECOMMENDATIONS**

2.1 The contents of the report be noted.

Contact Officer:

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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 2009. 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 There are no significant matters arising from the 2009/2010 audit work completed to date that are likely to have a significant adverse impact on the effectiveness of the Council's control environment.

- 3.3 On 13th July the Shared Services Joint Committee agreed that, with effect from 1st April 2010, the internal audit service for Watford and Three Rivers would be provided by the existing Watford internal audit team with funds being made available to buy in additional resources to cover specialist IT audits and main stream audit work. This approach provides approximately a 10% saving on the combined current cost of the service for the two authorities. An initial assessment of work to be undertaken from 2010/2011 onwards indicates that this level of resource will be sufficient to provide a satisfactory level of cover to enable the Audit Manager to provide an opinion on the robustness of the internal control environment at both authorities.

- 3.4 The output from the National Fraud Initiative 2008 (NFI) was published earlier this year (this is the national data matching exercise run by the Audit Commission every two years, basically aimed at detecting fraudulent and duplicate payments). The two functions most affected were the payment of benefits (932 matches) and the payment of creditors (966 matches). Other matches related to VAT, payroll, residents parking permits, concessionary travel permits and insurance. The matches were prioritised for investigation and are currently being worked through by members of Internal Audit, the Fraud Team and the Payments Team. The fact that a match has been made does not mean that it is not a genuine payment and based on results to date it is likely that there will be no problems with the vast majority.

A sample of higher value creditor payment matches has been checked and some of them were duplicate payments. However, the data matching exercise does not record details of cancelled payments, credits received or recovery made and all cases thrown up by NFI had already been identified and actioned internally.

A number of fraudulent/potentially fraudulent benefit claims have been identified and are being investigated. These have been reduced to five cases where investigations are continuing, and one of proven fraud where an Administrative Penalty has been applied (a financial penalty of 30% of the over claimed amount in addition to the actual over claim is being recovered).

- 3.5 Audits of the new key systems being introduced as a result of Shared Services have commenced (Payroll, Council Tax, NNDR and Benefits). The initial work will cover operations in the period leading up to the implementation of the new

systems and on arrangements for transfer of data from the old to the new. More work will be carried out towards the year end when the new systems are operational.

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**

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 2009 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
2009/2010

Project	Progress as at 31 st August 2009	Days Allocated 2009/10	Days Taken 2009/10
Audits Brought forward – 2008/2009			
Leisure Centres – Performance Monitoring	Final report 05 06 09	-	3
Risk Management	Final report 27 04 09	-	3
Corporate Governance	Final report 09 04 09	-	0.25
Asset Management	Final report 02 06 09	-	10
Financial Appraisal of Contractors	Final report 20 08 09	-	7.25
2008/09 Audits - Total		-	23.5
2009/2010 Audits			
Community Centres	Final report 24 07 09	10	12.25
Freedom of Information	Final report 13 08 09	6	9
Data Protection	Draft report 13 08 09	6	9
Performance Indicators (2008/09)	Final report 14 08 09	25	24.25
Town Hall Security	Final report 15 07 09	8	11.25
Disabled Facilities Grants	Final report 26 08 09	10	13.25
Health and Safety	Draft report 19 08 09	10	14.25
Leisure Centres – Final Account	Awaiting final account	4	-
Development Control	Draft report 04 09 09	6	9.75
Benefit Fraud Team	Work in progress	10	13.25
Licensing	Work in progress	15	1.5
Housing Benefit Subsidy Claim 2008/09	At draft report stage	15.5	15
Payroll	Work in progress	5	5
Benefits	Work in	38	3.5

	progress		
Council tax	Work in progress	21	5.25
NNDR	Work in progress	20	2.25
Cemeteries	At draft report stage	6	5.25
IT – back up arrangements	Not started	-	10
Members' Allowances	Work in progress	2	1.5
National Fraud Initiative	Work in progress	8	3

APPENDIX 2

LOCAL PERFORMANCE MEASURES 2009/2010

Criteria	Target p.a. (as per Audit Plan)	To 31st August 2009	Comment
% of annual audit plan achieved. Based on number of audits.	85%	-	Best measured on an annual basis. (Actual 2008/09 – 90.5%). Progress throughout the year is continually monitored by the Audit Manager.
Sickness – average	4	-	(Actual days for 2008/09 – 3.5)
Training – average	6.25	2	Time includes for internal and external seminars/training. All auditors now hold a relevant qualification. (Actual 2008/09 – 3.7). More training is planned.

Criteria	Target p.a.	Actual To 31st August 2009	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	(Actual 2008/09 – 100%)
Level of customer satisfaction	90%	97%	Based on 3 questionnaires returned since 1 st April. (Actual 2008/09 – 94.7%).

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.

There are no significant areas of concern to report. The following items are reported for Members' information.

1 Town Hall Security – recommendations to further tighten physical security have been accepted.

2 2008/09 Performance Indicators – the audit did not identify any significant changes to indicators. Supporting evidence was generally good and results had been calculated in accordance with definitions. Most of the feedback to Services related to the need to clarify how results had been calculated or to more clearly demonstrate adherence to definitions.

3 Freedom of Information – The main area of concern centred on the response times to some requests. Whilst most cases in the sample tested had been responded to within 20 working days there were some where this had not occurred and others where supporting evidence made it difficult to verify the actual time.

B Emerging Issues

Ongoing work.

No significant areas of concern to report. The following items are reported for Members' information.

1 Data Protection – it was recommended that the Data Protection Policy should be updated, that the monitoring of requests for information should be improved and there should be cover for the absence of Data Protection Link Officers in each Service.