

Report to: Audit Committee
Date of meeting: 17th February 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 December 2009 to 28th February 2010.

2.0 **RECOMMENDATIONS**

- 2.1 The contents of the report be noted.
- 2.2 The proposed minor change to the annual audit plan 2009/2010 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

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 three months ended 28th February 2009. Details are set out in the appendices:

1) The latest position on individual audits as at 28th 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 During the last three months Internal Audit was asked to carry out work to assist in the Planning and Development Value for Money project being undertaken by the Head of Strategic Finance. In order to accommodate this work it is recommended that the audit of Shared Services accounts be deleted from this year's audit plan.

3.3 It had been planned to carry out audits on the new Revenues and Benefits systems (Council Tax, NNDR and Benefits) being introduced under Shared Services. This was in addition to working on the old systems to provide a complete year's cover. However, delays in implementing the new systems has made part of that work impractical. The position has been discussed with the external auditors who have initially signalled acceptance of the fact that it would be counter-productive to audit systems which were still being bedded in. The time has instead been spent on dealing with specific issues of concern as they have arisen e.g. verification of the reconciliation of closing account balances on the old systems to opening balances on the new and attempting to verify the level of testing carried out on data transfers.

3.4 The implementation of the new payroll service has continued to be monitored and advice given to HR on a range of issues, e.g. on the production of exception reports, which will contribute to the verification of monthly payroll payments. Whilst progress has been made and the way forward agreed, the expected levels of controls are not yet fully in place.

3.5 The Audit Manager has been gathering evidence for the risk management, fraud and corruption and internal control themes in preparation for the 2009/10 Use of Resources assessment due in March/early April.

3.6 The investigation of data matches identified by the last National Fraud Initiative is drawing to a close. It is anticipated that there could be two, possibly three, further cases where sanctions may be applied (in addition to the one case already reported).

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 2009 this Committee endorsed the conclusion that the system of internal audit had been effective in the past year.

Grant Thornton, in their Use of Resources 2008/09 report, refer to a robust, comprehensive and effective internal audit service.

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 28th February 2010	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	Final report 20 09 09	6	9.5
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	Final report 14 12 09	10	15
Leisure Centres – Final Account	Awaiting final account	4	1.75
Development Control	Final report 18 09 09	6	10
Benefit Fraud Team	Final report 04 12 09	10	15
Licensing	Final report 30 11 09	15	15
Housing Benefit Subsidy Claim 2008/09	Final report 22 09 09	20	20.75
Payroll	Final report 05 11 09	5	11

Benefits Admin	Final report 08 01 10	38	14
Council Tax	Draft report 22 01 10	21	11
NNDR	Draft report 02 02 10	20	14.5
Cemeteries	Final report 19 11 09	6	8.75
IT – back up arrangements	Draft report 15 02 10	10	11.75
Members' Allowances	Final report 28 10 09	2	3.5
National Fraud Initiative	Completed	8	5.25
Treasury Management	Draft report 16 12 09	10	13
Creditors	Draft report 19 02 10	15	16
Debtors	Final report 03 02 10	15	15
Asset Management	Draft report stage	15	22
Fraud Awareness	Final report 15 12 09	10	11.75
Procurement - contracts	Final report 03 02 10	10	14.5
Corporate Governance	Completed	10	3.25
Risk Management	Draft report 15 02 10	10	12
Use of Natural resources	Work in progress	15	17
Shared Services – joint policies	Completed	10	6.5
West Herts Crematorium	Work in progress	10	7.5
Budgetary Control	Work in progress	10	2
Radius	Work in progress	10	3
Cashiers	Draft report 25 02 10	5	5
Partnerships	Work in progress	10	6.5
Data Quality	Work in progress	10	3.5
Commercial Rents	Work in progress	8	2.5
FMS Data Transfer	Work in progress	30	8
Planning and Development Control – (VFM project)	Completed	5	2.5

LOCAL PERFORMANCE MEASURES 2009/2010

Criteria	Target p.a. (as per Audit Plan)	To 28 th February 2010	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	2	(Actual days for 2008/09 – 3.5)
Training – average	6.25	4	Time includes for internal and external seminars/training. All auditors now hold a relevant qualification. (Actual 2008/09 – 3.7).

Criteria	Target p.a.	Actual To 28 th February 2010	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%	97.25%	Based on 4 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.

1 IT Back-up and Restore Arrangements

The ICT Service had identified that improvements were required to the back-up infrastructure and had reported accordingly. The audit made recommendations to improve the quality of back-up tapes, the security of storage facilities and the verification and regular testing of restore arrangements to ensure that they worked in practice.

B Emerging Issues

Ongoing work.

1 Asset Management

Arrangements for the management of the Council's property portfolio have shown improvement since the last audit. The recommendations of this audit concentrated on the guidance needed to unify the procurement, recording and disposal of non-property assets (IT, plant and vehicles).