

Report to: Audit Committee
Date of meeting: 12th January 2011
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 September 2010 to 30th November 2010.
- 2.0 **RECOMMENDATIONS**
- 2.1 The contents of the report be noted.

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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 three months ended 30th November 2010.
Appendix (1) The latest position on individual audits as at 30th November including cumulative time taken for the year compared to the time allocated in the annual audit plan.
Appendix (2) Local performance measures to the same date.
- 3.2 National Fraud Initiative. The biennial National Fraud Initiative (NFI) for 2010 run by the Audit Commission has commenced with the submission by the council of data as diverse as payroll, creditors and licensing. This data is matched with data provided by all other local authorities and other public bodies e.g. the DWP (benefits), with the aim of identifying potential cases of fraud. All suspect cases are then referred back to the council for detailed investigation. The initial data matches are expected early in the new year.
- 3.3 ICT. Two 2009/2010 audits of ICT covering the Network Infrastructure and Government Connect were completed by Deloitte. Whilst these related to procedures within TRDC many of the recommendations are applicable to the Shared Service. Some significant weaknesses were identified. The Head of ICT has acknowledged these and is due to have addressed all of them by April 2011. These reports have already been referred to the Audit Committee at Three Rivers who have echoed the Audit Manager's concerns about possible delays in dealing with some of the issues.
- 3.4 Procurement. The Procurement Manager has now left the council and the post is not being filled. Discussions have been taking place with Dacorum Borough Council with the aim of the procurement team there administering procurement on behalf of WBC/TRDC. An audit of procurement identified that there was a number of references to the role and responsibilities of the Procurement Manager in Contract Procedure Rules which needed to be adhered to under any new arrangement. There was also a need to continue publicising best practice and provide ongoing training.
- 3.5 Health & Safety. An audit of H&S was undertaken last year with the results reported to this Committee in January 2010. A follow up audit has now been carried out which found that whilst progress had been made there was still a number of significant items outstanding. The Head of HR has reported that he is confident that the measures which have been taken during and after the follow up audit will result in significant improvements by early in the new year.
- 3.6 Discussions are taking place with interested organisations about the future management arrangements for Internal Audit with the forthcoming retirement of the Audit Manager. The outcome will be reported to Committee.

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 30th November 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	Final report 12 10 10	20	22
Post/Cheque Handling	Final report 01 11 10	10	15
IT – BACS Payments	Draft report 30 06 10	10	11.5
Payroll	At draft report stage	20	25
IT – IT Service Desk and Change Management	Draft report 26 11 10	10	9
Creditors	Work in progress	20	9
Debtors		20	
Benefits Administration		25	
Council Tax		20	
NNDR		20	
Financial Management System	Work in progress	25	1.5
VAT		10	
Procurement	Draft report 12 11 10	15	12
IT – Information Governance	Work in	12	4

	progress		
IT – Disaster Recovery and Back up		10	
Watford BC			
Trade waste	Final report 04 08 10	10	9.5
Performance Management	Final report 15 11 10	15	16.5
Treasury Management	Final report 18 10 10	10	11
Risk Management	Draft report 04 10 10	10	10
Homelessness and Housing Needs	Final report 01 11 10	5	4
Authorised signatories	Final reports (3) 18 10 10	3	4
Community Centres transfer	Work in progress	8	6
H&S follow up	Final report 01 11 10	10	13
Leisure Management Contract monitoring	Work in progress	5	0.25
Asset Management	Work in progress	12	14.5
Grants to Voluntary Sector	Draft report 23 11 10	10	14
Ben Subsidy Claim		15	
Budgetary Control	Work in progress	10	7
Data Quality (inc. security)		10	
Project Management	Final report 15 11 10	10	10
Cash and Banking	Work in progress	18	1

LOCAL PERFORMANCE MEASURES 2010/2011

Criteria	Target p.a. (as per Audit Plan)	To 30 th November 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	1.5	(Actual days for 2009/10 – 2)
Training – average	4	2.75	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are now studying for a higher qualification. (Actual 2009/10 – 5.1).

Criteria	Target p.a.	Actual To 30 th November 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%	92.9%	Based on 3 questionnaires returned since 1 st April. (Actual 2009/10 –98.2%).