

PART A

Report to: Audit Committee
Date of meeting: 29th September 2011
Report of: Acting Audit Manager
Title: Internal Audit Progress Report

1.0 **SUMMARY**

This report and appendices provide updated information on the work undertaken by Internal Audit on the audit plan for 2010/2011 since the last report to Audit Committee in March and also for the work on the 2011/2012 Audit Plan in the period 1st April 2011 to 2nd September 2011.

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 since the last report to Audit Committee in June 2011 to complete the Audit Plan for 2010/2011 and progress the Audit Plan for 2011/2012. Appendix (1) shows the position on outstanding audits from the 2010/2011 Audit Plan and individual audits from the 2011/2012 Audit Plan as at 2 September including cumulative time taken for the year compared to the time allocated in the annual audit plan. Appendix (2) shows the local performance measures to the same date.
- 3.2 The work undertaken to 2 September 2011 on the planned audits for 2011/2012 – namely Section 106 funds, the Museum, Decent Homes Grants, Insurance, Benefit Subsidy Claims, Current Contracts, COA Post implementation review – has not generated any issues that need to be brought to the attention of the Audit Committee, other than as detailed below.
- 3.3 The recommendations from the report into creditor payment arrangements have been discussed and agreed with Senior Management and improvements to the process for verifying changes to standing data, building on the changes put in place immediately after the incident, have been and continue to be implemented.
- 3.4 Following on from the work on creditor payments, a report has been issued to the Head of Revenues & Benefits regarding the need for improvements to the processes for verifying changes to payment details for benefit payments and refunds of council tax and NNDR. In response, the Head of Revenues & Benefits, together with the Benefits Manager and the Revenues Manager, has agreed a practical way forward that balances the need for security with the pressures of service delivery. Procedure notes have been produced and the new processes are being implemented currently.
- 3.5 The COA post implementation review that is currently work in progress is focused on the IT security arrangements surrounding the eFinancials financial management system (FMS). This work will allow an opinion to be formed on the robustness of measures to deter and detect attempted cyber crime against that system.
- 3.6 The work on the Benefit Subsidy Claim for 2010/2011 highlighted that processes and responsibilities for transferring benefit expenditure data from the Academy Benefits system onto the eFinancials FMS and reconciling the two systems still needed to be formalised and implemented so that reconciliations between the two systems can be completed during the year rather than just at the year end. A meeting was held earlier this month between senior Revenues & Benefits and Finance staff and responsibilities have now been agreed. Work is progressing on implementation of the necessary processes. A further update on this will be provided to the next Audit 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

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