

PART A

Report to: Audit Committee
Date of meeting: 14th March 2012
Report of: Audit Manager
Title: Implementation of Internal Audit Recommendations

1.0 SUMMARY

This is the Audit Manager's regular report on progress with the implementation of Internal Audit recommendations. It provides an update on those recommendations reported to Audit Committee as outstanding in January with information from the first round of follow up using a new follow up process.

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 Officers have responded well to the new follow up system, with a 100% reply rate following one reminder.

3.2 The table below summarises progress in implementation of the recommendations for 2010/11 and 2011/12 to date.

Year	Total Recommendations made	Implemented	Not yet due	Request for extended time	Outstanding	% age Implemented
2010/11	213	184	14	15	0	86
2011/12	44	26	15	3	0	59

3.3 The 15 requests for extended time for 2010/2011 audits are broken down as follows:

Payroll = 1

Benefits Administration = 1

Council Tax Administration = 2

NNDR Administration = 3

Reconciliations = 2

Asset Management = 1

Data Quality = 1

Health & Safety = 2

IT Service Desk/Change Management = 2 on hold

3.4 Procurement.

Since the last report to Audit Committee (January 2012), the Procurement Manager has worked on the promotion of good procurement practice, allowing the last outstanding recommendations to be implemented.

3.5 Health & Safety Follow Up

34 of the original 36 recommendations are now reported to have been implemented or are no longer required. The remaining 2 recommendations have been given extended deadlines whilst progress is made towards their implementation.

3.6 IT Service Desk / Change Management

Following the 12 week change freeze period, 2 of the 4 outstanding recommendations from this report have now been implemented.

The final 2 recommendations, relating to the service catalogue and service desk response times, remain on hold pending the decision on the options for future ICT service provision.

3.7 IT BACS Payments

Transfer of BACS payments processing to Finance has been completed.

The transfer to Revenues & Benefits is in progress and is reportedly due to be completed by the start of the new financial year.

3.8 **Reconciliations**

As reported in January 2012, the significant resource input by the Finance Managers to implement the new harmonised income management system, including the need to parallel run the old and new systems to ensure that all income data is being imported correctly, limited the resources available for performing in-year reconciliations.

The Finance manager is able to run routines on eFinancials and the Axis income management system to confirm that the systems' cumulative balances align at the time the routine is run. This check has been performed on an ad-hoc basis and was last performed at the end of January 2012, at which point the two systems were in alignment. It was reported that the associated spreadsheet will form the basis of a process for full bank reconciliation. At the date of this report, there have been no formal reconciliations – i.e in a format that has been signed off - of the new income management system to the corresponding general ledger entries on eFinancials.

Bespoke reports from the Academy system have now been written that will automate the majority of the Rent Allowance bank reconciliation and provide the necessary figures for updating eFinancials. For benefit payments, the eFinancials system has been updated during the year using a combination of the payment reports from Academy and corresponding data from the bank statements. However, the formalising of responsibility for performing monthly reconciliations of the Rent Allowance bank account and of the Academy systems to the eFinancials system is still outstanding. No formal reconciliations between Academy and eFinancials or bank reconciliations for the Rent Allowance account have been produced this year.

An action plan has been developed by the Finance Manager to ensure that all in-year reconciliations will be performed effectively in 2012/13.

3.9 **Internal Audit Recommendations for 2011/2012**

Whilst there are no outstanding recommendations to report for audits completed to date for 2011/2012, three recommendations from the Money Laundering report, concerning updates to the e-learning tool, have had their deadline extended from December 2011 to June 2012.

Final reports have been issued for Section 106, Benefit Subsidy Claims, Watford Museum, IT Project Management, Decent Homes Assistance, Construction Industry Scheme, Insurance, Money Laundering and the Vehicle Maintenance contract.

3.10 **Future Reports to Audit Committee**

The information above is summarised from the responses to the last follow up conducted at the end of January/beginning of February this year. The completed table of updates runs to 36 pages.

Should the Audit Committee decide they would like to see the full table at future meetings it can, of course, be provided.

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
	Progress in implementing Internal Audit recommendations is not monitored, recommendations are not implemented and as a consequence, internal controls are weakened.	1	3	3

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.

Internal Audit Files

File Reference

None.