

Report to: Audit Committee
Date of meeting: 30th June 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 31st May 2011.

2.0 **RECOMMENDATIONS**

2.1 The contents of the report be noted.

Contact Officer:

For further information on this report please contact: Mark Allen – Acting Audit Manager
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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 March 2011 to complete the Audit Plan for 2010/2011 and start into the Audit Plan for 2011/2012.
Appendix (1) The position on individual audits from the 2010/2011 Audit Plan as at 31 March 2011 including cumulative time taken for the year compared to the time allocated in the annual audit plan.
Appendix (2) Local performance measures to 31 March 2011.
Appendix (3) The latest position on individual audits from the 2011/2012 Audit Plan as at 31 May including cumulative time taken for the year compared to the time allocated in the annual audit plan.
Appendix (4) Local performance measures to the same date.
- 3.2 The work performed to 31 March 2011 meant that 93% of the Audit Plan for 2010/2011 had been completed by that date.
- 3.3 No new issues were raised by the work completed subsequent to the report submitted by the previous Audit Manager that explained the position as at 28 February 2011.
- 3.4 The work undertaken to 31 May 2011 on the planned audits for 2011/2012 – namely Section 106 funds, the Museum and the Decent Homes Grants – has not generated any issues that need to be brought to the attention of the Audit Committee.
- 3.5 The Audit Committee will be aware from other reports presented to this meeting that recent events relating to the payment of creditors have highlighted weaknesses within the existing arrangements that should be addressed as a matter of priority.
- 3.6 Discussions are still taking place with interested organisations about the future management arrangements for Internal Audit following retirement of the Audit Manager.

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 31 st March 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	Final report 17 03 11	10	11.7
Payroll	Final report 21 03 11	20	29
IT – IT Service Desk and Change Management	Final report March 2011	10	10
Creditors	Final report 21 03 11	20	21.3
Debtors	Final report 30 03 11	20	22.3
Benefits Administration	Work in progress	25	22
Council Tax	Work in progress	20	16.6
NNDR	Work in progress	20	17.4
Financial Management System	Final Draft report 30 03 11	25	31
VAT	Work allocated	10	

Project	Progress as at 31st March 2010	Days Allocated 2010/11	Days Taken 2010/11
Procurement	Final report 15 12 10	15	15
IT – Information Governance	Draft report 15 03 11	12	4
IT – Disaster Recovery and Back up (replaced by “Remote Working”)	Work in progress	10	7
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	Final report 13 12 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	Final report 13 10 10	8	7
H&S follow up	Final report 01 11 10	10	13
Leisure Management Contract monitoring	Final memo 24 03 11	5	0.25
Asset Management	Final report 04 03 11	12	18.9
Grants to Voluntary Sector	Final report 23 12 10	10	16.1
Ben Subsidy Claim – included in Benefit Administration Audit	Work in progress	15	
Budgetary Control	Final draft report 30 03 11	10	12.8
Data Quality (inc. security)	Work in progress	10	3.2
Project Management	Final report 15 11 10	10	10
Cash and Banking	Final report 29 03 11	18	8.1

LOCAL PERFORMANCE MEASURES 2010/2011

<u>Criteria</u>	Target p.a. (as per Audit Plan)	Actual To 31 March 2011	Comment
% of annual audit plan achieved. Based on number of audits.	92%	93%	
Sickness – average days per employee.	4	2.4	
Training – average days	4	4	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are now studying for a higher qualification.

Criteria	<u>Target p.a.</u>	Actual To 31 March 2011	Comment
Final audit reports issued within 10 available working days of agreement to draft report.	100%	100%	
Level of customer satisfaction	94%	93%	

**Work Progress on Individual Audits
2011/2012**

Project	Progress as at 31st May 2011	Days Allocated 2011/12	Days Taken 2011/12
Audits Brought forward – 2010/2011			
Benefits Administration	Draft report 31 05 11	-	4.4
Data Quality - WATFORD	Work in progress	-	4.7
Council Tax	Work in progress	-	4.5
NNDR	Draft report 31 05 11	-	4.5
FMS – Reconciliations	Final report 08 04 11	-	0.1
Budget Monitoring – WATFORD	Final report 04 04 11	-	0.1
VAT (Deloitte & Touche)	Work in progress	-	
IT - Information Governance (Deloitte & Touche)	Draft report 15 03 11	-	
IT - Remote Working (Deloitte & Touche)	Draft report 31 05 11	-	
2010/11 Audits – Total (WBC staff days)		-	18.3
2011/2012 Audits			
Shared Audits			
Payroll		15	
Recruitment		8	
NNDR		15	
Council Tax		15	
Benefits		25	
Creditors		15	
Debtors		15	
FMS Reconciliations		25	
Insurance		10	
IT - Network Controls – follow up		5	
IT - Disaster Recovery and Back-up		10	
IT - Strategy		5	
IT – Project Management		10	
IT - Asset Management		5	
IT - Virus Protection		5	
COA – Post Implementation Review		20	
Watford BC			
Income Collection		15	

Project	Progress as at 31st May 2011	Days Allocated 2011/12	Days Taken 2011/12
Benefits Subsidy Claim		8	
Benefits Overpayments		8	
Treasury Management		6	
Budget Monitoring		8	
CIS		5	
S. 106	Work in progress	8	4.9
Financial Procedure Rules		4	
Hospitality		3	
Money laundering		5	
Current Contracts		10	
Home Improvement Grants	Work in progress	10	5.8
Museum	Work in progress	10	6.4
CSC		5	
External Audit Recommendations – follow up		8	

LOCAL PERFORMANCE MEASURES 2011/2012

<u>Criteria</u>	<u>Target p.a. (as per Audit Plan)</u>	<u>Actual To 31 May 2011</u>	<u>Comment</u>
% of annual audit plan achieved. Based on number of audits.	92%	N/A	Best measured at year end.
Sickness – average days per employee.	4	0.3	
Training – average days	4	2.2	Time includes for internal and external seminars/training. All auditors hold a relevant qualification and two are now studying for a higher qualification.

<u>Criteria</u>	<u>Target p.a.</u>	<u>Actual To 31 May 2011</u>	<u>Comment</u>
Final audit reports issued within 10 available working days of agreement to draft report.	100%	N/A	No final reports issued for 2011/2012 audits to date.
Level of customer satisfaction	94%	N/A	No surveys issued for 2011/2012 to date.