



**WATFORD
BOROUGH
COUNCIL**

AUDIT COMMITTEE

16 March 2017

7.00 pm

Town Hall, Watford

Publication date: 8 March 2017

Contact

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Committee Membership

Councillor D Scudder (Chair)
Councillor T Williams (Vice-Chair)
Councillors S Cavinder, Asif Khan and B Mauthoor

Agenda

Part A - Open to the Public

1. **Apologies for Absence/Committee Membership**
2. **Disclosure of Interests (if any)**
3. **Minutes**

The minutes of the meeting held on 7 December 2016 to be submitted and signed.

Copies of the minutes of this meeting are usually available seven working days following the meeting.

(All minutes are available on the Council's [website](#).)

4. **Presentation: Risk Management**

Presentation by the Head of Democracy and Governance on risk management

5. **Corporate Risk Register (Pages 5 - 8)**

Report of the Head of Democracy and Governance

6. **Annual Governance Statement - Action Plan Update (Pages 9 - 12)**

Report of the Head of Finance (shared services)

7. **Changes to Accounting Policies: 2016-17 Annual Statement of Accounts (Pages 13 - 14)**

Report of the Head of Finance (shared services)

8. Internal Audit Plans 2017-18 (Pages 15 - 52)

Report of the Head of Finance (shared services) and Shared Internal Audit Service

9. Internal Audit - Update on progress against the 2016-17 Audit Plan (Pages 53 - 104)

Report of the Shared Internal Audit Service

10. External Audit Certification Work (Pages 105 - 116)

Report of the Head of Finance (shared services) and the external auditor (EY)

11. External Auditor's report to committee (Pages 117 - 150)

Report of the Head of Finance (shared services) and the external auditor (EY)

12. Committee Work Programme (Pages 151 - 154)

Report of the Head of Finance (shared services)

PART A

Report to: Audit Committee
Date of meeting: 16 March 2017
Report of: Head of Democracy and Governance
Title: Corporate Risk Register

1.0 SUMMARY

1.1 To note the Corporate Risk Register

2.0 RECOMMENDATIONS

2.1 To note the Corporate Risk Register

Contact Officer:

For further information on this report please contact: Carol Chen
telephone extension: 8350 email: carol.chen@watford.gov.uk

3.0 DETAILED PROPOSAL

- 3.1 The Risk Management and Business Continuity Steering Group meets every two months to monitor the Council's corporate risks and oversee business continuity and emergency planning.
- 3.2 The Steering Group reports to Leadership Team.
- 3.3 The Steering Group undertook a review of the Corporate Risk Register at its January meeting and the revised register was approved by Leadership Team in January.

3.4 The Committee is asked to note the register attached as Appendix A

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Shared Director of Finance comments that the register considers financial risk

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that any legal implications are also noted in the register

4.3 **Equalities**

4.3.1 N/A

4.4 **Potential Risks**

Potential Risk	Likelihood	Impact	Overall score
Failure to capture all risks	2	4	8
Failure to adequately monitor risks and mitigate	2	4	8
Those risks scoring 9 or above are considered significant and will need specific attention in project management. They will also be added to the service's Risk Register.			

Appendices

Corporate Risk Register

Background Papers

No papers were used in the preparation of this report

File Reference

None

[illegible]

Code	Block	Objective	Value of Investment	Risk	Causes	Assessment of Risk				Assessment of Risk				Consequence	Further controls in place				Review Frequency	Date of Next review	Owner
						Categories of risk - See Appendix 1 for options	Severity	Likelihood	Risk Rating							Severity	Likelihood	Risk Rating			
11	Service Delivery	Introduction of Universal credit	not quantified	Claimants in receipt of Universal Credit will be paid monthly in arrears and receive their housing element within their UC. At the moment it is paid as a separate benefit and easily identifiable as being benefit for their rent	It is expected that some residents will not use their UC to pay their rent and arrears will increase resulting in evictions. This will put significant pressure on housing.	Customer/citizen/financial	3	4	12	Work with Housing to identify take up rates for DHPs and landlord evictions - work with CAB to ensure proper money advice is given to residents	4	4	16	Council may not be able to manage demand on housing		3	3	9 M		May-17	Jude Green/Ayaz maqsood
12	Service Delivery	Wider welfare reform changes	not quantified	The benefit Cap will reduce the maximum amount of benefit residents can receive by up to £3,000 a year - at the same time, benefit for private rents will be frozen, although it is known rents increase by a minimum of 3-4% per year and it is expected that council tax may increase	the cost of the council tax reduction scheme could increase between £0.5 and £1.5M per annum but hard to know until more details are released about benefit changes. With 6,000 residents getting benefits, it may also have a negative impact on council tax collection rates, leading to loss of revenue to the council with increase costs for CTR.	Financial	4	2	8	Ensure residents receive support on budgeting and maximise benefits /income to soften impact of welfare reform changes	4	2	8	Council may lose significant income form council tax		3	3	9 M		May-17	Jude Green
13	Service Delivery	Ensure Housing Benefit Service is fit for purpose	£75m turnover per annum	Loss of subsidy from DWP due to LA error; homelessness caused by rent arrears accruing; private sector landlords not willing to accommodate benefit customers through fear of not being paid	Use of technology is not maximised. Benefits assessors spend time dealing with routine client enquiries. Incomplete information provided by benefits clients/ recipients.	Financial / reputational/ customer/ citizen	4	2	8	Monitoring of workload being constantly reviewed. External resource engaged to process routine change of circumstances.	4	2	8	Backlogs are not fully cleared (partly due to increased volumes of applicants–due to economic recession). A danger that conveyor belt mentality will affect quality control processes.	The Customer Service Centre is screening initial applicants in order to ensure all paperwork has been provided and to relieve pressure on benefits assessors	4	2	8 M		Ongoing	Jude Green
14	Service Delivery	Failure of Uniform and other essential back office systems	not yet quantified	Failure of contracting partner to deliver required service to agreed specification.	System is currently unsupported	customer/citizen/reputational	4	4	16	Business critical applications upgrade projects in progress Application discovery project in progress with reviews with key stakeholders and suppliers to identify options for upgrades on current platforms, hosted services	4	4	16	Unable to deliver planning, land charges and environmental health services & meet legislative deadlines	Regular MIT project reviews Review of supplier options to support / deliver upgrade projects in progress	4	3	12 M		Ongoing	ITSG/ HoS
15	Service Delivery	Failure to secure an effective new ICT service delivery model	not yet quantified	Failure to deliver required service to meet needs of the organisation. Key customer interfaces impacted. Loss of income if payments impacted.	Inadequate resources secured both in-house and external leading to a skill set gaps. Inadequate contract management by contracting partner, poor process & lack of procedures, poor governance by contracting partner. In house service not fit for purpose.	Customer/ citizen legislative/ legal reputational / equalities	4	4	16	Revised service delivery model in place. Additional resources supporting exit and procurement/recruitment. Senior stakeholder engagement	4	4	16	Poor service delivery / service debasement Poor return on investment Inability for council to deliver service improvements / efficiencies / vision	Regular monitoring of ARP progress Regular reviews with senior supplier management Review of contract service threshold & action options	4	4	16 M		Ongoing	Jo Wagstaffe
16	Service Delivery	Achieving a vibrant and viable market	Not achieving a return above WBC outgoings for rent etc	Failure of contractor to secure high occupancy and footfall	The market does not generate income above the annual costs costs incurred by WBC, the variety of stalls attracted is not appealing to shoppers resulting in lower footfall and reduced income.	Reputation/ customer	2	3	6	regular meetings with TCM to review progress. Steering group	2	2	4	Town centre does not feel vibrant, empty space means pedestrians go elsewhere	none	2	2	4 W		End Feb	Nick Fenwick
17	Reputational	Continue to Progress Equalities within the Council and across all service delivery	Not Quantifiable	Potential for council not to meet its statutory duties and for equalities issues not to be considered in an appropriate or timely way.	Lack of staff awareness n results in equalities being given a lower priority both within the Council and in the provision of services to all the community.	Customer / Citizen Legislative/Legal Reputational	4	2	8	Equalities champions at Head of Service/ Cabinet level are in place. Quarterly reviews are held. Legislative changes to equalities are being monitored. Corporate Equalities group relaunched . Leadership Team review equalities. (HR report received annually). New mandatory training developed. EIAs developed where appropriate	4	2	8	The Council will not be seen to support individuals and the community. It will not be recognised as a fair/ good employer.	EIA activity to be reviewed. Statistics relating to usage of facilities and complaints processes need to be closely monitored.	4	2	8 Q		Ongoing	Kathryn Robson
19	Reputational	CIL commitment to Metropolitan Line Extension	£5m	Significant shortfall in CIL income which could affect ability to meet MLX commitment	The Government is seeking to exempt new starter homes from CIL and S106 payments. As most new homes in Watford could potentially fall under the starter home umbrella, this would undermine WBC's ability to raise such funding.	Economic/ Financial/ Reputational	4	3	12	Alternative funding/ longer payment period will be required to meet MLX commitment.	3	3	9	Delay to delivery of MLX which could have reputational/ legal implications for Council. May have to renegotiate Council's commitment/ delivery of funding timescale.				0 Q		Ongoing	Nick Fenwick
20	Reputational	PSN - Public Services Accreditation is not achieved	Not Quantifiable	Residents do not receive correct Housing benefit payments.	Revenues and Benefits services are unable to send and receive data from departments such as DWP.	Financial / reputational/ customer/ citizen	4	3	12	Annual project reviewed previous submission & issues arising & submission completed with known non-compliance items 2016: Consultant engaged to work with WBC on ensuring PSN compliance. Positive engagement with Cabinet Office. Approved action plan.	4	2	8	This may result in temporary disadvantages for the Council e.g. remote access to government services are disabled.	Long term and annual PSN project is in place. Regular contact with Cabinet Office & key stakeholders over known no compliance and remediation workplan	3	3	9 Q		Ongoing	Jo Wagstaffe
21	Functional	ICT platform fit for purpose	Not Quantifiable	Unreliability of system affects corporate efficiency and results in considerable staff downtime and failure to deliver full service to the public.	Delays on MIT project - out-dated hardware, systems and platform still in use. Inadequate project resources. New service delivery following exit from Capita will need to embed before MIT fully established.	Customer / Citizen Economic/ Financial Reputational	4	3	12	Revised MIT project established and WBC now leading on areas of work to establish a stable platform. Additional resources being called upon as required.	4	2	8	Service delivery and staff efficiency badly affected	Ongoing sound project management and regular reviews of progress.	4	3	12 M		Ongoing	Jo Wagstaffe
22	Functional	Ensure the Control Environment across the authority reflects the changing nature of fraudulent activity	Not Quantifiable	Increasing sophistication of fraud, particularly cyber fraud could result in significant financial losses	moral standards in society falling. Financial hardship encouraging innovative ways to obtain money.	Financial / reputational/	4	3	12	Regular fraud up dates distributed to all staff. E learning module on intranet	4	3	12	Risks of fraudulent access to council's accounts still remain	Annual Audit Plan includes resources to test the council's resilience against cyber crime	4	2	8 Q		Ongoing	Bob Watson
23	Functional	Review Corporate/ Service Plans	Not Quantifiable	Corporate and Service Plans become stale and fail to engage with staff or reflect the ambitions and work programme of the organisation	Other competing priorities could mean the CP/ SP process is delayed. Additionally, lack of focus or clear direction would impact on effective delivery.	Customer / Citizen Reputational	3	3	9	Service management teams/ quarterly reviews/Leadership Team give this a higher priority. Staff survey carried out. Appraisals in place. Annual review of vision, priorities and values to ensure they are relevant and reflect council's opportunities and challenges.	3	2	6	The Vision , values & key objectives are not recognised by all staff. Could impact on delivery if priorities are not clear and staff not focused on areas of work required.	Initiatives to encourage awareness. Intranet improvements.	3	1	3 Q		Ongoing	Kathryn Robson
24	Functional	Assess impact of major changes to funding by Government through Business rates Retention and Local Council Tax Benefits schemes	£193,000	WBC may lose a significant amount of financial support from Central Government	The localisation of business rates means that the Council carries risk in relation to it's overall funding from Central Government. Much of the causes for the fluctuations are outside of the Council's control.	Financial/ Reputational/ Citizen/ customer	4	4	16	Business Rates are monitored on a monthly basis and the budget has been set based on current performance. The Council can quantify the overall value of the risk and has taken this into account when setting the budget.	3	3	9	The council may be at risk of reduced income which it had not intended.	Continued monitoring of the performance of business rates is to be undertaken.	3	2	6 Q		Ongoing	Bob Watson
25	Functional	Ensure Council complies with all relevant Health and Safety legislation		Risk of failing to comply with our statutory responsibilities, including compliance testing	Weakness in our support arrangements to ensure support that services will be resumed after compliance testing undertaken	Major	3	4	12	Testing booked into the diary and external contractor appointed to undertake the testing. Dialogue with other external support service providers to ensure aware of and have planned in the testing requirements	2	4	8	Risk of non compliance reduced	Clear contractual commitment with external support service provider to ensure they will have measures in place to support any required testing	2	4	8 Q		on-going	Cathy Watson

Report to: Audit Committee

Date of meeting: 16 March 2017

Report of: Bob Watson – Head of Finance (shared services)

Title: **Annual Governance Statement (AGS) – Action Plan Update**

1.0 SUMMARY

- 1.1 This report gives details of the progress in implementing the actions required resulting from the Annual Governance Statement.

2.0 RECOMMENDATIONS

- 2.1 That the Committee notes the progress made against the action plan.

For further information on this report please contact: -
Bob Watson, Head of Finance (shared services)
telephone extension: 7188
email: bob.watson@threerivers.gov.uk

Report approved by: Bob Watson, Head of Finance

3.0 **DETAILS**

- 3.1 The 2015/16 Annual Governance Statement was published with the Statement of Accounts and contains a high level action plan to ensure continuous improvement of the system of internal control. An update of action taken is attached at Appendix 1.
- 3.2 There are two outstanding significant governance issues relating to ICT which will be reviewed by the internal audit service as part of future audits to ensure compliance.
- 3.3 The recommendation enables the Committee to note the progress made against the action plan.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

APPENDIX

Appendix 1 - Annual Governance Statement – High Level Action Plan

APPENDIX 1

No.	Issue	Action	Resolved	Update
1	The Disaster Recovery Plan is not current. The Council should take priority to ensure the kit list is updated and fit for purpose	The Council will ensure that the kit lists are updated and fit for purpose in conjunction with Capita who are responsible for Third party contracts for DR. Disaster Recovery and business continuity plans will be reviewed annually to ensure suitability, adequacy and effectiveness	No	<p>All asset lists, including desktops, servers and network equipment have been updated and are managed by the Service Desk Provider. Procedures documents are currently being reviewed and updated.</p> <p>Hd of ICT services is currently drafting the DR plan in conjunction with Amicus – Third Party. Also drafting a specification for a short term joint DR contract to include kit and recovery site. It is anticipated our DR need will change over the next year given the core transformation and therefore the Council is looking to tender for a flexible contract. Once the DR plan is drafted this will go to ITSG & risk groups at both Councils for review and sign off. There will then be annual review per other IT policies.</p> <p>DR Test to take place: December 2017</p>
2	The lack of an effective testing strategy for Disaster Recovery may mean that gaps and defects in the plan may not be identified	Once the kit lists are updated, DR tests will take place on critical systems and their key dependencies	No	<p>The testing will take place once the DR procurement has taken place, a requirement to undertake this is being built into the specification.</p> <p>DR Test to take place: December 2017</p>

Report to: Audit Committee

Date of meeting: 16 March 2017

Report of: Head of Finance (shared services)

Title: Changes to Accounting Policies
2016/17 Annual Statement of Accounts

1.0 SUMMARY

- 1.1 It is recommended best practice that this committee is informed of any significant changes to the council's accounting policies that are followed when compiling the annual statement of accounts. This report informs them that there are no significant changes.

2.0 RECOMMENDATIONS

- 2.1 That the Committee notes that there are no significant changes to the council's accounting policies.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (shared services)
telephone extension: 7188
email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

3.0 **DETAILS**

- 3.1 There are no significant changes to the accounting policies to be reported at this stage. If any changes to the accounting policies are identified as part of the compilation of the 2016/17 accounts, these will be brought back to this committee as part of the draft 2016/17 Statement of Accounts at the next meeting.
- 3.2 There will be a presentational change in the format of the Comprehensive Income and Expenditure Statement (CIES) as required by the Code of Practice for Local Authority Accounting in the United Kingdom 2016/17 ('the Code'). The CIES shows the Council's revenue expenditure and income for the year. Previously the "Net Cost of Services" within the CIES has been under a specified service analysis (known as SeRCOP). This service specific analysis allowed comparability between other local authorities, however it was reported in a different style and format to the Council's own internal financial monitoring that followed a management accounting format. This change will mean that the CIES produced in the 2015/16 accounts will be re-stated in the revised format in the 2016/17 accounts.
- 3.3 The 2016/17 Code now requires the format of the service analysis to change from the previous SeRCOP format to a format that reports along the lines of that used to report in-year financial monitoring (management accounts). At Watford Borough Council this is the Finance Digest. This now means it will be easier for members and readers of the accounts to reconcile the more familiar internal financial reporting to the published Statement of Accounts.
- 3.4 Another presentational change in the 2016-17 Code is the introduction of a new disclosure in the accounts called the Expenditure and Funding Analysis (EFA). This partly replaces the segmental analysis note shown in previous accounts. This statement and the accompanying disclosure notes are intended to provide reconciliation between the year-end outturn position shown in the Finance Digest and the accounting position shown in the CIES.

4.0 **IMPLICATIONS**

4.1 **Financial**

- 4.1.1 None specific.

4.2 **Legal Issues** (Monitoring Officer)

- 4.2.1 None specific.

4.3 **Equalities**

None specific.

4.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

APPENDICES: None

Report to: Audit Committee

Date of meeting: 16 March 2017

Report of: Head of Finance (shared services)

Title: Internal Audit Plans 2017/2018

1.0 SUMMARY

1.1 Attached are the proposed Internal Audit Plans for 2017/2018.

2.0 RECOMMENDATIONS

2.1 That the Committee approves the Watford Borough Council and Watford & Three Rivers Shared Services Internal Audit Plans for 2017/18 attached to this brief introduction.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (shared services)
telephone extension: 7188 or direct dial 01923 727188
email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

3.0 **DETAILS**

3.1 The SIAS 2017/18 Internal Audit Plan Report is attached at attachment 1 and sets out the programme of work to support the Council's wider assurance framework.

3.2 The Audit Plan for the Council is attached at Appendix A to the attachment, the Audit Plan for Shared Services is attached at Appendix B and the proposed timetable of the audits is at Appendix C to the attachment. The plans have been developed following detailed discussions with Heads of Services, the Head of Finance and the Leadership Team.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 Sufficient provision has been made in the 2017/18 revenue budget for the attached Audit Plans to be completed.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Democracy and Governance comments that there are no legal implications arising directly out of this report.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

ATTACHMENTS and APPENDICES

Attachment 1 SIAS 2017/18 Internal Audit Plan Report

- Appendix A 2017/18 Audit Plan – Watford Borough Council
- Appendix B 2017/18 Audit Plan – Shared Services
- Appendix C Proposed timetable of start dates for the audits



**Watford Borough Council
Audit Committee**

2017/18 Internal Audit Plan Report

16 March 2017

Recommendation

**Members are recommended to approve the
proposed Watford Borough Council and Shared
Services Internal Audit Plans for 2017/18**

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2017/18

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed Watford Borough Council Audit Plan 2017/18
- B Proposed Watford and Three Rivers Shared Services 2017/18 Audit Plan
- C Audit Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Watford Borough Council and Shared Services 2017/18 Internal Audit Plans.

Background

- 1.2 The Watford Borough Council and Shared Services Internal Audit Plans set out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2016 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2017/18 Civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
- Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level

Consideration of risk management arrangements

SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the council's objectives and priorities.

2.3 The approach to audit planning for 2017/18 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Managers and SIAS agree the level of risk associated with an identified auditable area

Other sources of Assurance

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2017/18 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are presented to Leadership Team for discussion and agreement;
- e) The plan is shared with the External Auditor.

This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives

The Planning Context

- 2.4 The context within which local authorities and housing associations provide their services remains challenging:
- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead;
 - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens;
 - Technology ranging from use of mobile devices and applications to predictive analytics is now key to service delivery and offers opportunities along with significant risks;
 - Major, national programmes in areas like welfare and business rate reform, and structural changes mean the environment remains relatively unstable;
- 2.5 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2017/18

- 2.7 The draft 2017/18 audit plans are included at Appendix A and B and contain a high level proposed outline scope for each audit; Appendix C details the agreed start months. The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	WBC	Shared Services	Total
Key Financial Systems	0	100	100
Operational audits	52	0	52
Procurement	20	0	20
Joint Reviews	10	0	10
Counter Fraud	0	15	15
Risk & Governance	0	0	0
Ad-Hoc Advice	3	0	3
IT Audits	0	20	20
To Be Allocated	0	44	44
Follow Ups	10	0	10
Strategic Support*	36	0	36
2016/17 Projects Requiring Completion	5	5	10
Total audit days 2017/18	136	184	320

* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2017/18.

- 2.8 Members will note the inclusion of a provision for the completion of projects that relate to 2016/17. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.9 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Watford Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2017/18 and any proposed changes will be reported to this Committee four times in the 2017/18 civic year.
- 3.2 The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2017/18 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed.	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects. Note: to be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%

4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work.
6. Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.
7. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

Watford Borough Council
Audit Committee
16 March 2017

Watford Borough Council 2017/18 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
KEY FINANCIAL SYSTEMS			
	See Shared Services Audit Plan		
OPERATIONAL AUDITS			
Home Improvement Agency	<p>Review to provide assurance over the introduction of the joint home improvement agency across Hertfordshire. Scope likely to consider how WBC are discharging their responsibilities in the following areas:</p> <ul style="list-style-type: none"> • Transitional arrangements, • Governance, • Roles and responsibilities, • Service delivery for customers, • Success of new arrangements. 	8	Q3
Funding Streams – lessons learnt	<p>Review to consider outcomes and learning from grant applications based on a selection of funding bids from across the Council. Potential scope to include:</p> <ul style="list-style-type: none"> • How available relevant grants are identified, • Consistency of application process including use of standard templates, • Awareness across the Council of bids in progress and completed (both 	12	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	<p>successful and unsuccessful).</p> <p>The audit may help to spread learning in respect of the bidding and application process across the council for the benefit of future grant funding bids e.g Sport England, Public Health, HLF etc.</p>		
Capital Projects & Project Management	<p>Review to consider whether project learning is shared and used to influence future projects. Cassiobury Park redevelopment to be used as an example. To also provide assurance over the project management framework. Typical scope to include:</p> <ul style="list-style-type: none"> a) Project Management Framework - there is an agreed Project Management Framework which is consistent with recognised best practice. b) Project Delivery - projects are undertaken in a controlled manner and the agreed Project Management Methodology is used in a proportionate and reasonable way. Key project stages, including project initiation, business case, start up, delivery and completion are followed. c) Post Implementation Review – a post implementation review is carried out to evaluate that the project has achieved expected goals and lessons learnt are documented and shared across the Council. 	12	Q4
Housing Improvement Plan	<p>To provide assurance over the status of actions contained in the Housing Improvement Plan arising from the outcomes of the Housing Peer Review completed during 2016/17.</p>	8	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Commercialisation	<p>To review the processes that the Council has in place to identify commercial opportunities, both in terms of maximising current income and generating new income streams. To also consider implementation of the Council's future strategy and plans regarding on-going commercialisation activities. Scope to be determined – typical areas include:</p> <ul style="list-style-type: none"> a) Strategy - the Council's strategic approach to commercialisation is documented and is used to inform operational plans and objectives. b) Governance - there are adequate governance arrangements covering the identification, evaluation and, where relevant, implementation of opportunities to generate new income streams. c) Income Streams - the Council has an adequate understanding of its existing income streams, including the cost of delivering the service which generates the income and the demand for that service, as well as an appropriate pricing strategy. d) Best Practice - the Council has drawn on relevant best practice and used this to inform its decision making process. 	12	Q3
PROCUREMENT			
Contract Management	To continue selection of contracts from the Contracts Register not previously tested. Typical scope to include:	10	Q2

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	<p>a) Governance, relationship management and contract administration – clarity of contract requirements, officer roles, contractor relationship management, service user satisfaction, dispute resolution and best value review process. Mechanisms to identify key contract ‘trigger points’ (such as notice periods and expiry dates), periodic checks and lessons learned.</p> <p>b) Performance monitoring – performance management framework, SLAs and performance indicators, reviews and action plans when failing. Compliance with the specification, contract terms and conditions including agreed delivery timescales and value for money requirements, records management.</p> <p>c) Financial management of contracts – payment mechanisms, records of checks and inspections (including annual insurance requirements), comparisons of contract costs to tendered prices and against budgets, variations, credits, retentions and authorisation of payments.</p> <p>d) Contractual and supplier risk management – corporate and individual risk management of contracts. Monitoring supplier financial health.</p>		
Procurement Processes – Contract Signing	To examine the “award of contracts” stage of the procurement process using four recent contracts to identify recommendations for good practice and commentary on the use of letters of intent. This audit will support the work of the Contract Management Forum and the outcome of the recent peer review. It will provide evidence of opportunities for improvement around this stage of the process.	10	Q1
JOINT REVIEWS / SHARED LEARNING			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Shared Learning Newsletters and Summary Themed Reports	Shared Learning Newsletters and Summary Themed Reports providing opportunities for shared learning across the partnership. Learning happens in the ongoing dialogue people have with others.	2	Through the year
Joint Reviews	Topics as approved by the SIAS Board during the course of 2017/18.	8	TBD
COUNTER FRAUD			
	See Shared Services Audit Plan.		
RISK MANAGEMENT AND GOVERNANCE			
	No audits planned in 2017/18		
AD HOC ADVICE			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Ad Hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud.	3	As required
IT AUDITS			
	See Shared Services Audit Plan.		
TO BE ALLOCATED			
To Be Allocated	See Shared Services Audit Plan.		
FOLLOW-UP OF AUDIT RECOMMENDATIONS			
Follow-up of outstanding audit recommendations	Obtaining quarterly updates on the status of internal audit recommendations from action owners and reporting outcomes to Audit Committee.	10	Quarterly
STRATEGIC SUPPORT			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Head of Internal Audit Opinion 2016/17	To prepare and agree the Head of Internal Audit Opinion for 2016/17.	2	Q1
External Audit Liaison	To meet the external auditors and provide information as required.	1	Ongoing
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee. Provide Committee Member training prior to the committee meetings.	10	Quarterly
Monitoring and Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	12	Quarterly
2018/19 Audit Planning	To provide services in relation to preparation and agreement of the 2018/19 Audit Plan.	8	Q3/4
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	3	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
2016/17 PROJECTS REQUIRING COMPLETION			
2016/17 Projects Requiring Completion	Additional time, if required for the completion of 2016/17 audit work carried forward into the 2017/18 financial year.	5	Q1
TOTAL AUDIT PLAN DAYS		136	

2017/18 RESERVE LIST – including outline scope
(Detailed scope for each to be determined in the event that the audit is transferred to the main plan)

Property Management Contract - LSH	No precise scope yet specified, although focus likely to be on the outcomes of the Asset Management strategic review. Alternative focus would include:		
Enforcement	Review of enforcement activities across the Council. Specific areas of coverage to be determined at the time. Typical areas include planning, building control, food safety, noise and parking.		
Community Support Activation Fund	Review of governance and accountability for grant spending and monitoring system over achievement of objectives. Estimated spend of £350k over 3 years.		
Electric Vehicle Charging Points	Review of the business case and strategy for electric vehicle charging points (e.g. availability)		
Performance Management / Data Quality	Review of data quality and performance management systems in supporting decision making.		

Insurance	<p>Review to provide assurance over the administration of insurance across the Council. Typical coverage may include:</p> <ul style="list-style-type: none">a) Insurance cover – insurance needs are identified, assessed and reviewed.b) Policy terms and claims management – Policy conditions are identified and managed. Claims are monitored and rejected claims assessed for learning opportunities.c) Performance management and monitoring - Internal performance targets and budgets for insurance activity are set, monitored and reported.		
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Watford Borough Council
Audit Committee
16 March 2017

Watford & Three Rivers Shared Services 2017/18 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
KEY FINANCIAL SYSTEMS Key financial systems are of critical importance to sound financial management and financial reporting. As such, external audit and management need to be assured that these systems are soundly controlled in order to meet organisational objectives.			
Benefits	<p>Review of Housing Benefit and Local Council Tax Support to confirm that controls are adequate and are operating effectively and that previous internal audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, procedures and set-up of standing data, b) Assessments, backdating, spare room subsidy, benefit cap, c) Payments, d) Recovery and write-off of overpayments, e) Reconciliation between the benefits system and general ledger, f) System controls and data retention. <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council cases.</p> <p>Testing of 2017/18 standing data will be carried out in May 2017 to give assurance early in the year that these have been correctly set within the system parameters.</p>	14	Q3 (Q1 for system parameter testing)
Council Tax	Review of the Council Tax system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:	12	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>a) Policies, procedures and legislation, b) Amendment to Council Tax records including reconciliation between Valuation Office Agency and Council records, c) Discounts (single persons, disabled persons) and exemptions (e.g. empty property relief), d) Billing (annual and in-year), e) Collection and refunds, f) Recovery, enforcement and write-offs, g) Reconciliation between the revenues system and general ledger.</p> <p>(System access controls and data retention are included in the scope of the Benefits audit as the same systems (Academy and Anite) are used across the Revenues & Benefits service).</p> <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council cases.</p>		
Creditors	<p>Review of the Creditors system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <p>a) Set-up and amendment of supplier accounts, b) Ordering of goods and services, c) Receipt of goods and services, d) Payment of invoices, e) Reconciliation between the Creditors module and general ledger,</p>	10	Q3/4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>f) Credit notes and refunds.</p> <p>Access controls over the purchasing module within the main financial system will be covered in the Main Accounting system audit.</p> <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>		
Debtors	<p>Review of the Debtors system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies and procedures, b) Set-up and amendment of customer accounts, c) Debtor invoices, d) Credit notes and refunds, e) Recovery and write-offs, f) Reconciliation between the Debtors module and general ledger. <p>Access controls over the Debtors module within the main financial system will be covered in the Main Accounting system audit.</p> <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	10	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Main Accounting System	<p>Review of the Main Accounting system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Access controls to the financial system, b) Accounting codes and structure, c) Journals and virements, d) Bank reconciliations, e) Feeder system / control account reconciliations, f) Suspense accounts, g) Continuity arrangements. <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	12	Q4
NDR	<p>Review of the NDR system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Policies, Procedures and Legislation, b) Amendment to NDR records, including reconciliation between the Valuation Office Agency and Council records, c) Multiplier Setting, d) Voids and Reliefs, e) Billing (annual and in-year), 	12	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	<p>f) Payments and Refunds, g) Recovery, Enforcement and Write offs, h) Reconciliation between the NDR System and general ledger.</p> <p>(System controls and data retention are included in the scope of the Benefits audit as the same systems (Academy and Anite) are used throughout the Revenues & Benefits service).</p> <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>		
Payroll	<p>Review of the Payroll system to confirm that existing controls are adequate and are operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <p>a) Payroll system – standing data, b) Starters, leavers, transfers and amendments, c) Payroll payments, including scheduling and BACS, d) Pension contribution rates, e) Payroll deductions and third party payments, f) Reconciliations between the Payroll system and general ledger, g) Management exception reports, h) Payroll contract management.</p> <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	12	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Treasury Management	<p>Review of the Treasury Management system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Treasury Management (TM) Practices, TM Procedures. b) TM Reporting Arrangements. c) TM Training. d) Service Continuity. e) Cashflow Management. f) Counter-Party Risk. g) Transactions – to include online banking and placing of investments, capital and Interest Payments, Reconciliations, External Service Providers / Contracts and Performance Monitoring. <p>Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>	10	Q3
Budget Monitoring	<p>Review of the Budget Monitoring system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. Scope to be agreed with management – typical areas include:</p> <ul style="list-style-type: none"> a) Budget monitoring process. b) Accuracy and timeliness of budget data, c) Budget variance approval, d) Member involvement in budget monitoring and reporting. 	8	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	Testing to cover the 2017/18 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.		
OPERATIONAL AUDITS			
	No shared operational reviews identified at this stage.		
PROCUREMENT			
	No shared procurement reviews identified at this stage.		
JOINT REVIEWS			
	See local plans		
COUNTER FRAUD			
Local Authority Serious and Organised Crime	The Serious and Organised Crime Agency (SOCA) has developed resources that allow local authority Internal Audit teams to scrutinise business operations to establish where there may be vulnerabilities to serious and organised crime. The	15	Q2

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Checklist	<p>methodology includes:</p> <ul style="list-style-type: none"> • A Serious and Organised Crime Checklist - to quickly assess their serious and organised crime risks; • A Serious and Organised Crime Audit - to scrutinise business operations to establish where there may be vulnerabilities; and • Non-involvement with Serious and Organised Crime Statement – for use in Invitation to Tenders and Official Journal notices. <p>It is proposed that the Serious and Organised Crime Checklist is utilised initially to identify any weaknesses or vulnerabilities, which may later form the basis for more detailed audit work using the Serious and Organised Crime Audit Framework.</p> <p>The Checklist covers Governance and Strategy, Operations (areas most at risk) and Insider Threat (officers and Members).</p>		
RISK MANAGEMENT AND GOVERNANCE			
	See local audit plans.		
IT AUDITS			
IT Audits	Follow up of the status of the legacy IT audit recommendations as reported quarterly to the Audit Committee, with primary focus on the following areas with	20	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
	outstanding high priority audit recommendations: <ul style="list-style-type: none"> • Network Infrastructure (2009/10), • IT Back-Up and Disaster Recovery (2011/12), • Server Virtualisation (2012/13), • Cyber Risk (2013/14), • Disaster Recovery (2014/15). 		
FOLLOW-UP AUDITS			
	See local audit plans		
TO BE ALLOCATED			
To Be Allocated	To provide for adequate response to risks emerging during 2017/18.	44	As required
STRATEGIC SUPPORT			
	See local audit plans		

2016/17 PROJECTS REQUIRING COMPLETION			
2016/17 projects requiring completion	Additional time, if required, for the completion of 2016/17 audit work carried forward into 2017/18. The proposed number of days is an estimate which will be reviewed as required.	5	Q1
TOTAL AUDIT PLAN DAYS – SHARED SERVICES PLAN		184	

2017/18 RESERVE LIST – including outline scope (Detailed scope for each to be determined in the event that the audit is transferred to the main plan)			
Cyber Risk	To provide assurance that cyber security strategies and arrangements are appropriately designed and operated to manage the risk of cyber-attacks. The audit will consider good practice guidance from the government's "Cyber Essentials Scheme" to evaluate the robustness of systems and controls in place.		
Agency Staffing	To provide assurance that the framework contract is operating effectively and delivers best value.		

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Revenues & Benefits System Parameter Testing (shared plan)*	Funding Streams	Procurement Processes – Contract Signing	Local Authority Serious and Organised Crime (shared plan)		Contract Management	Council Tax (shared plan)	NDR (shared plan)	Treasury Management (shared plan)	Creditors (shared plan)	Budget Monitoring (shared plan)	
						Debtors (shared plan)	Benefits (shared plan)	IT Audits (shared plan)	Main Accounting (shared plan)	Capital projects & Project Management	
							Payroll (shared plan)	Joint Reviews	Housing Improvement Plan		
						Commercialisation			Home Improvement Agency		

***Notes:**

- Revenues & Benefits System Parameter Testing scheduled for April 2017 - remainder of work due Q3.



Watford Borough Council
Audit Committee Progress Report
16 March 2017

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 24 February 2017
- Approve amendments to the Audit Plan as at 24 February 2017
- Agree removal of implemented recommendations (see Appendix C)
- Agree changes to the implementation dates for 9 recommendations (paragraph 2.5.1) for the reasons set out in Appendix C

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Audit Findings
 - 2.3 Status of Audit Recommendations
 - 2.7 Proposed Audit Plan amendments
 - 2.8 Performance Management

Appendices

- A Progress against the 2016/17 Audit Plan
- B 2016/17 Audit Plan Projected Start Dates
- C Progress against Outstanding Internal Audit Recommendations

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2016/17 as at 24 February 2017.
- b) Proposed amendments to the approved 2016/17 Annual Audit Plan.
- c) Implementation status of all outstanding previously agreed audit recommendations from 2010/11 onwards.
- d) An update on performance management information as at 24 February 2017.

Background

- 1.2 The work of internal audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.
- 1.3 The 2016/17 Annual Audit Plan was approved by Audit Committee on 14 March 2016.
- 1.4 The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 7 December 2016.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 24 February 2017, 83% of the 2016/17 Audit Plan days had been delivered for the combined WBC and Shared Services plans (calculation excludes contingency). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 One 2016/17 audit providing assurance to the Audit Committee has been finalised since the December 2016 meeting. All final audit reports are available to Members on request.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Contract Management	Jan '17	Substantial	One merits attention

Status of Audit Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management and includes an agreement to implement the recommendations made. It is SIAS's responsibility to bring to Members' attention the implementation status of all audit recommendations. It is the responsibility of officers to implement recommendations by the agreed date.
- 2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations as at February 2017, with full details given in Appendix C:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time*	Percentage implemented %
2010/11	213	212	0	1	99%
2011/12	114	112	0	2	98%
2012/13	49	49	0	0	100%
2013/14	93	92	0	1	99%
2014/15	57	53	0	4	93%
2015/16	56	50	2	4	89%
2016/17	9	6	2	1	67%

*or no update provided

- 2.5 The 13 recommendations in the 'outstanding and request made for extended time' column fall into 2 categories as per sections 2.5.1 and 2.5.2 below.
- 2.5.1 Since December 2016 Audit Committee, extension to implementation dates have been requested by action owners for nine recommendations as follows:
- One from the 2010/11 IT Remote Working audit,
 - One from the 2011/12 IT Project Management audit,
 - One from the 2011/12 IT Backup and Disaster Recovery audit,
 - One from the 2013/14 Cyber risk audit,
 - One from the 2014/15 NDR audit,
 - Two from the 2014/15 Disaster Recovery audit,
 - One from the 2015/16 Data Protection audit, and
 - One from the 2016/17 Freedom of Information audit.

2.5.2 In respect of the following four recommendations, no updates were provided for this meeting of the Committee:

Audit Year	Audit Name	Number of Outstanding Recommendations	Target Dates
2014/15	Benefits	One	31 December 2016
2015/16	Development Management	Two	28 February 2017
	Building Control	One	28 February 2017

Proposed Audit Plan Amendments

2.6 The following amendments to the 2016/17 Audit Plan have been agreed with officers of the Council and are detailed below for Audit Committee approval:

Deletions / Changes:

- Following officer requests and agreed with the Council's Head of Finance, the ICT audit has been re-phased to the first quarter of 2017/18. The audit days freed up have been diverted to support an in depth assurance review of the payroll service as requested by the MD and Joint Management Board. These have been added to the existing payroll review in the shared service audit plan.

Performance Management

Reporting of Audit Plan Delivery Progress

2.7 To help the Committee assess the current situation in terms of progress against the projects in the 2016/17 Audit Plan, we have provided an analysis of agreed start dates at Appendix B. These dates have been agreed with management and resources allocated accordingly. This is designed to facilitate smoother delivery of the audit plan through the year.

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2016. Actual performance for Watford Borough Council against the targets that can be monitored for 2016/17 is shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 24 February 2017	Actual to 24 February 2017
1. Planned Days – percentage	95%	88%	83%

of actual billable days against planned chargeable days completed (excluding unused contingency).			
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2015/16 completion and 'on-going' pieces).	95%	58% (14 out of 24 projects to draft) *see note below	50% (12 out of 24 projects to draft) *see note below
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A (none yet made in 2016/17)

* Draft reports have not yet been issued for the Officer Expenses and Starters & Leavers audits. The fieldwork and quality review stages are complete, however, Management have instructed that issue of the draft reports should be timed to coincide with the completion of the Payroll Assurance Review which is currently underway. These audits are not therefore included in either the 'profiled target' or 'actual' statistics reported in performance indicator 1 above.

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 24 FEBRUARY 2017

2016/17 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Benefits (shared plan)					14	Yes	13.5	Draft report issued
Council Tax (shared plan)					11	Yes	10.5	Draft report issued
Creditors (shared plan)					9	Yes	8.5	Draft report issued
Debtors (shared plan)					10	Yes	9.5	In quality review
Main Accounting (shared plan)					12	Yes	11.5	Draft report issued
NDR (shared plan)	Full	0	0	0	12	Yes	12	Final report issued
Payroll (shared plan)					31.5	Yes	20	In fieldwork
Treasury Management (shared plan)					10	Yes	3	In fieldwork
Budget Monitoring (shared plan)					8	Yes	4.5	In fieldwork
Operational Audits								
Commercialisation	-				1	N/A	1	Cancelled
Freedom of Information	Substantial	0	1	3	6	Yes	6	Final report issued
Homelessness	-				1	N/A	1	Cancelled
Housing Allocations	-				0	N/A	0	Cancelled
Housing Service - Peer Review Outcomes					4	Yes	1	In fieldwork
HR Starters & Leavers (shared plan)					16	Yes	15.5	In quality review
Museum Exhibits	Substantial	0	0	2	12	Yes	12	Final report issued
Revenues & Benefits Service – Bailiff Contract (shared plan)					10	Yes	7.5	In fieldwork
Section 106 Agreements	Substantial	0	1	1	8	Yes	8	Final report issued

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 24 FEBRUARY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Tree Surveying					8	Yes	3	In fieldwork
Officer Expenses (shared plan)					12	Yes	11.5	In quality review
DFG Capital Grant Certification	N/A	-	-	-	2	Yes	2	Complete
Procurement								
Contract Management	Substantial	0	0	1	12	Yes	12	Final report issued
Veolia Contract Management	Full	0	0	0	8	Yes	8	Final report issued
Counter Fraud								
Review of counter-fraud arrangements (shared plan)					5	Yes	1	In fieldwork
Risk Management and Governance								
No audits planned in 2016/17								
IT Audits								
IT Audits – details to be determined (shared plan)	-				0.5	No	0.5	Cancelled
SIAS Joint Work								
Shared Learning Newsletters Audit Committee Workshop Joint Review – Benchmarking Workshop					5	N/A	1.5	Ongoing
Joint Review – Local Authority Trading					2.5	Yes	1	In fieldwork
Joint Review – PREVENT					2.5	Yes	1.5	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AT 24 FEBRUARY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Ad Hoc Advice								
Ad Hoc Advice					3	N/A	2.5	Ongoing
Contingency								
Unused Contingency (shared plan)					12	N/A	0	
Strategic Support								
Head of Internal Audit Opinion 2015/16					2	N/A	2	Complete
External Audit Liaison					1	N/A	1	Complete
Audit Committee					10	N/A	9	Ongoing
Monitoring & Client Liaison					12	N/A	11	Ongoing
2017/18 Audit Planning					8	N/A	7	Ongoing
SIAS Development					3	N/A	3	Complete
Follow-up of recommendations					10	N/A	9.5	Ongoing
Completion of 2015/16 audits								
Time required to complete work commenced in 2015/16 (5 days shared; 5 days WBC)					10	N/A	10	Complete
WBC TOTAL					126		108	
SHARED SERVICES TOTAL					178		134	
COMBINED TOTAL					304		242	

Key to recommendation priority levels:
H = High
M = Medium
MA = Merits attention
N/A = Not applicable

APPENDIX B 2016/17 AUDIT PLAN PROJECTED START DATES

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Revenues & Benefits System Parameter Testing (shared plan)* Complete	Museum Exhibits Final report issued	Veolia Contract Mgmt Final report issued	Section 106 Agreements Final report issued	HR Starters & Leavers (shared plan)* In quality control	Contract Mgmt Final report issued	Council Tax (shared plan) Draft report issued	NDR (shared plan) Final report issued	Treasury Mgmt (shared plan) In fieldwork	Creditors (shared plan) Draft report issued	Budget Monitoring (shared plan) In fieldwork	
	Officer Expenses (shared plan)* In quality review	FOI Final report issued			Disabled Facilities Grants – Certification Complete	Debtors (shared plan) In quality review	Benefits (shared plan) Draft report issued	Review of Counter-Fraud Arrangements (shared plan) In fieldwork	Main Accounting (shared plan) Draft report issued		
					Revs & Bens Bailiff Contract (shared plan) In fieldwork	Housing Service – Peer Review Outcomes In fieldwork	Payroll (shared plan) In fieldwork		Tree Surveying In fieldwork		

APPENDIX B 2016/17 AUDIT PLAN PROJECTED START DATES

***Notes:**

- Revenues & Benefits System Parameter Testing work completed in May – remainder of Benefits, NDR and Council Tax due Q3.
- Officer Expenses and Starters & Leavers – draft reports not yet issued. The fieldwork and quality review stages are complete, however, Management have instructed that issue of the draft reports should be timed to coincide with the completion of the Payroll Assurance Review which is currently underway.
- Enforcement Agents Contract – Revenues & Benefits Services (shared plan) audit deferred from July to September at Management’s request pending revised management arrangements.
- The following key financial audits have been moved slightly to accommodate external audit reporting requirements:
 - Creditors and Main Accounting audits moved from January to December
 - Treasury Management moved from December to January / February.

Audit Plan 2010/11

IT Remote Working 2010/11							
Final report issued January 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
09	<p>Management should ensure that security settings on mobile device handsets such as iPhones enforce the following settings:</p> <ul style="list-style-type: none"> Devices should be required to be protected by a power on password or PIN. Any default passwords or PIN codes need to be changed on first use, these should not be removed unless authorised in writing by ICT; Devices should be set to 'Non-discoverable' or 'Hidden' to help prevent information disclosure by short distance data transfer; and Users should be restricted from reconfiguring the security settings on devices. <p>The remote wipe solution should be investigated to ensure all the data stored on the mobile phone can be wiped either remotely or by exceeding the login threshold. Management should ensure that only ICT approved mobile devices should be procured</p>	Important	<p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 Provision of an Enterprise Mobility Management solution to address all of these points was included in the procurement of the new Service Desk solution.</p> <p>Subsequent to the on-boarding of the new Service Desk, (EMM) requirements will be documented and procured from the Service Desk provider and all current Windows or iPhones supplied by the authority will come under this solution.</p> <p>The aim is to have this in place by December 2016.</p> <p>Position – September 2016 It is still anticipated that this will be in place by December 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 The Internal ICT service has evaluated 3 MDM products; Sophos, MobileIron and Good. We have tendered with the market</p>	ICT Client Section Head	March 2013	<p>x</p> <p>(part met – will move to resolve once MDM solution deployed).</p>	<p>31 December 2016</p> <p>31 July 2017</p>

IT Remote Working 2010/11

Final report issued January 2012

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	and issued and all confidential and sensitive data held on mobile device handsets such as iPhones is adequately encrypted according to the sensitivity of the data.		<p>for the MobileIron solution. This will enable remote management of the mobile devices.</p> <p>Acceptable usage policy has been updated to reflect the requirement for the following security settings to be applied as a minimum on the mobile phone device:</p> <ul style="list-style-type: none"> • Power on: Password 				

Audit Plan 2011/12

IT Project Management 2011/12							
Final report issued November 2011							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	An IT Strategy that supports both Councils' corporate strategies needs to be implemented to direct the forward usage of ICT within both Councils and the Shared Service. An IT strategy should be developed in consultation with the business strategies for both Councils and the Shared Service to ensure that IT development links into corporate priorities.	Minor	<p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 A new ICT Strategy is to be produced which will cover both Councils. This is expected to be completed by the end of October 2016. An additional resource will be procured from the ICT Transformation budget.</p> <p>Position – September 2016 An Interim Head of Service Transformation has been appointed and it is anticipated that the strategies will be completed by the end of October 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 Freedom Communications have been appointed to conduct this work. Briefing and engagement sessions have been held with all services across Watford and Three Rivers. The first draft of the strategy has been reviewed by the ICT Section Head. There are several further iterations required before this will be presented to Senior Officers at both organisations for</p>	ICT Client Section Head	October 2012	*	<p>31 October 2016</p> <p>31 May 2017 (Including Senior Mgmt sign off)</p>

IT Project Management 2011/12

Final report issued November 2011

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
			sign off.				

IT Back up and Disaster Recovery 2011/12

Final report issued December 2012

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
02	The Shared Service should conduct a risk assessment of the capability to recover key systems and services in the event of a disaster based on the Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) for Councils' systems. This should ensure that any potential issues that could be faced are documented with appropriate counter measures put in place.	Essential	<p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 A full DR and BCP requirements review will be carried out as a precursor to re-tendering both the DR and BCP contracts covering both councils. Contract retender and award must be completed by November 2016. It is anticipated that the DR and BCP requirement will be completed by the end of October 2016.</p> <p>Position – September 2016 It is still anticipated that this will be completed by the end of October 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 Risk Assessment completed. Risks have been added to the ICT risk register.</p>	ICT Client Section Head	May 2013	✓	31 October 2016
04	The Shared Service should test its DR arrangements on an annual basis at both Adam Continuity and ICM. Testing should follow a detailed test	Essential	<p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p>	ICT Client Section Head	March 2013	* (Part met)	31 October 2016 30 June

IT Back up and Disaster Recovery 2011/12

Final report issued December 2012

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	plan and test results should be reported to management following the test period. We also recommend that where appropriate, ad hoc tests of tape restores are performed when not otherwise tested.		<p>Position - July 2016 As part of the contract retender for DR / BCP the requirement for period testing will be included. As part of moving ICT desktop and server support in house a schedule of trial restores from tape will be put in place to confirm that backups are tested. This to happen by October 2016.</p> <p>Position – September 2016 It is still anticipated that this will be completed by the end of October 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 ICT Section Head is drafting a specification for a joint disaster recovery contract. Within this contract there will be provision for annual DR testing. The Three Rivers contract does not expire until end of June 2017.</p> <p>ICT have implemented monthly backup spot restores to test resilience. We are aware that there are issues with the current backup infrastructure and this is included ICT Core transformation plan. See additional document.</p>				2017

Audit Plan 2012/13

IT Server Virtualisation (ICT) 2012/13							
Final report issued December 2012							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved * or ✓	Revised Deadline
01	The adequacy of the security settings and management arrangements established and applied to the virtual environment at both the Councils should be reviewed and where the standards currently are not aligned with best practice standard such as recommended by CIS (Centre for Internet Security), then they should be applied/configured to create a baseline for on-going security and monitored accordingly.	Essential	<p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 The entire virtual environment in both councils is in the process of being upgraded to the current software versions, this will address a number of security issues, additionally where sensitive data, such as DWP information, is to be held, or accessed the virtual environment is being moved into a 'virtual garden' to restrict and secure access. This is in line with PSN and Cabinet office recommendations for securing the virtual environment. This is anticipated to be completed by December 2016.</p> <p>Position – September 2016 This is still anticipated to be completed by December 2016.</p> <p>Position – November 2016</p>	ICT Client Section Head	November 2013	✓	31 December 2016

IT Server Virtualisation (ICT) 2012/13

Final report issued December 2012

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>No update received.</p> <p>Position – March 2017 A template and associated procedure has been created for 2008R2 & 2012R2. All new virtual servers will be built to this template.</p> <p>WBC virtual server platforms were out of date, and on version 4.1, these have been upgraded to version 5.5.</p> <p>TRDC virtual server upgrades from version 5.0 to 5.5 and 6.0 are currently being scheduled.</p> <p>A position on a standard set of security requirements for virtual server technology is currently being reviewed.</p> <p>ESX host patching is up to date on the WBC estate. This will be completed for TRDC once the versions are up to a minimum of 5.5.</p> <p>ESX Host patching scheduled quarterly.</p>				

Audit Plan 2013/14

Cyber Risk 2013/14							
Final report issued June 2014							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
03	<p>Management should ensure the data loss prevention policy is developed and published at the earliest. As part of this process, management should:</p> <p>a) Consider all possible media for data loss and risk assess the various options.</p>	High	<p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 A Data Loss prevention policy is to be produced which will cover both Councils. This is expected to be completed by the end of October 2016.</p> <p>Position – September 2016 This is still expected to be completed by the end of October 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 A risk assessment is due at the end of April 17. With a policy to be developed by the end of Q2.</p>	IT Client Section Head	30 June 2015	✗	<p>31 October 2016</p> <p>30 Sept 2017</p>

Audit Plan 2014/15

NDR 2014/15							
Final report issued January 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
03	The available hardware should be introduced within the inspection regime, with appropriate training given where necessary	Merits Attention	<p>To clarify, the Service has bought the Inspectors module (2010 I believe) but yet to purchase the required tablets to support implementation due to lack of IT support.</p> <p>Whilst the current Revenues Manager has implemented such a module at a previous authority this was implemented with the help of internal IT resources and CSS.</p> <p>Position - February 2015 Yet to start awaiting Tablet / Module – Meeting arranged with Capita on 240315 re implementation.</p> <p>Position – May 2015 Not yet due</p> <p>Position – August 2015 Migration has still not taken place.</p> <p>Position – November 2015 Due to ongoing IT upgrades this has slipped further down list given major configuration</p>	Revenues Manager	31 July 2015	✗	<p>30 November 2015</p> <p>31 March 2016</p> <p>31 March 2017</p> <p>31 July 2017</p>

NDR 2014/15

Final report issued January 2015

			<p>within Academy and yet to decide on either tablet / iPad.</p> <p>Position – February 2016 Still to be implemented – ongoing.</p> <p>Position – June 2016 Still to be implemented – ongoing.</p> <p>Position – September 2016 Discussions are still ongoing due to ICT changes and at the moment not a priority. However, potential new Revs & Bens ICT contract to be signed early Sept 2016, which at this stage will pick this up once again.</p> <p>Position – November 2016 Still to be implemented as not high on the agenda at the moment with a new ICT helpdesk process being bedded in.</p> <p>Position – February 2017 Vacant Revenues Inspector post to be interviewed mid-March, 2017, and will then look at potential of implementation</p>				
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Benefits 2014/15

Final report issued April 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
06	In order to ensure compliance with the Data Protection Act (DPA), the	Medium	Awaiting Anite upgrade.	Benefits Manager	30 June 2015	✗	31 December

Benefits 2014/15

Final report issued April 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<p>Council should ensure that as a matter of urgency, the historical data stored within Anite is cleared.</p> <p>Going forward, the Council should ensure that there are arrangements in place to clear old data on an annual basis to ensure ongoing compliance with the DPA.</p>		<p>Position - May 2015 Not yet due</p> <p>Position – August 2015 The Anite upgrade that will allow archiving of old data was scheduled for 1/8. Although Northgate have completed their work, Capita have not linked Anite to Office of Outlook so we cannot go live on 1/8. This has been moved from 8/8 to 12/9. If this is successful, it will take a further 8-10 weeks to restructure the database and then archiving can happen.</p> <p>Position – November 2015 Now that the Information@work system has been migrated to a new server and upgraded we are ready to install the retention and destruction module which will archive documents. We are currently in the process of agreeing dates for the module to be installed and training to be given. Review at the end of December 2015.</p> <p>Position – February 2016 No update received – target date has passed.</p> <p>Position – June 2016 With regard to the Retention and Destruction module for Anite, we are currently in the process of getting installation dates agreed. Due to consultancy availability it's not likely to be in place and working before 30.09.16.</p> <p>Position – July 2016 With regard to the Retention and Destruction module for Anite, we are currently in the process of getting installation dates agreed.</p>				<p>2015</p> <p>30 Sept 2016</p> <p>31 December 2016</p>

Benefits 2014/15							
Final report issued April 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Due to consultancy availability it's not likely to be in place and working before 30.09.16.</p> <p>Position – September 2016 We are currently waiting for pre-req documents to be completed by IT so that we can book final installation and training dates with Northgate. We expect the documentation to be completed by end of September. There is quite a wait time for Northgate consultancy hence moving the date to 31.12.16.</p> <p>Position – November 2016 No update received.</p> <p>Position – February 2017 No update received.</p>				

Disaster Recovery 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	<ul style="list-style-type: none"> The Councils should take priority to ensure the kit lists for both the Councils are updated and fit for purpose, this is to be shared with Capita who are responsible for handling the 3rd party contracts for Disaster Recovery. 	High	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main</p>	Capita Account Director	31 August 2015	x	<p>N/A</p> <p>31 October 2016</p> <p>Shared DR Plan in place:</p>

Disaster Recovery 2014/15

Final report issued June 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<ul style="list-style-type: none"> During the review it was mentioned that the Councils have been shown the Essex Councils comprehensive Disaster Recovery Plan as a template. Although this DRP is not part of this review and we can therefore not pass comment on its adequacy, it can form the basis for W3R. Ensure procedure documents are kept up to date incorporating current technological environment so that the process steps covers all the detail recovery procedures in the event of disaster. IT disaster recovery and business continuity plans should be reviewed at least once a year, or if any material changes occur within the IT environment, to ensure its continuing suitability, adequacy, and effectiveness. 		<p>SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 All asset lists, including desktops, servers and network equipment have been updated and are managed by the Service Desk Provider. Procedure documents are currently being reviewed and updated. This has to be completed prior to re-procuring the DR contracts, in October 2016.</p> <p>Position – September 2016 This has to be completed prior to re-procuring the DR contracts in October 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 No longer Capita responsibility. This has been passed to the internal ICT team.</p> <p><u>Note: Kit lists were updated in 2015.</u></p> <p>Emma Tiernan currently drafting the DR plan in conjunction with Amicus – Third Party. Emma Tiernan I am also drafting a specification for a short term joint DR</p>				<p>May 2017</p> <p>Joint DR contract in place: June 2017</p> <p>DR Test to take place: December 2017</p>

Disaster Recovery 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			contract to include kit and recovery site. I anticipate our DR need will change over the next 1 give the core transformation and therefore I am looking to tender for a flexible contract. Once the DR plan is drafted this will go to ITSG & risk groups at both Councils for review and sign off. There will then be annual review per other IT policies.				
02	<ul style="list-style-type: none"> Once these kit lists have been reviewed and approved, Capita should liaise with the two contractors responsible for Disaster Recovery to initiate Disaster Recovery Tests on Critical systems and their key dependencies. A complete DR scenario test on all applications and systems should ideally take place to provide assurance that recovery could happen within an acceptable time frame. Document and retain test results and evidence for review by information owners. Initiate corrective actions based upon test results. There should be Councils management oversight of the testing schedule to ensure that all disaster recovery plans are tested 	High	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 The DR testing will take place once the DR procurement has taken place. A requirement to do DR testing will be built into the procurement specification.</p> <p>Position – September 2016 This is still anticipated to be completed by end</p>	Capita Account Director / ICT Client Section Head	31 August 2015	x	<p>N/A</p> <p>31 December 2016</p> <p>Shared DR Plan in place: May 2017</p> <p>Joint DR contract in place: June 2017</p> <p>DR Test to take place: December 2017</p>

Disaster Recovery 2014/15							
Final report issued June 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<p>for adequacy and that they meet the Councils business needs.</p> <ul style="list-style-type: none"> IT Disaster Recover and Business Continuity plans should be reviewed at least once a year or if any material changes occur within the IT environment to ensure its continuing suitability, adequacy, and effectiveness. 		<p>December 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 As per 01. Joint DR contract currently being procured. A DR test will take place within 6 months of the contract being signed.</p>				
03	<ul style="list-style-type: none"> Talks surrounding the use of a data centre should be progressed. The problem with keeping the Councils data locally is that, should a disaster occur unexpectedly be it natural or man-made, all or part of the data could be lost – including backups. An offsite data centre solution should be considered if effective disaster recovery is a requirement at the Councils. 	Medium	<p>Recommendation accepted.</p> <p>Position - August 2015 See section 2.5.2 of the main SIAS Update Report.</p> <p>Position – November 2015 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – February 2016 See comment in section 2.5.2 of the main SIAS Update Report.</p> <p>Position – June 2016 History of comments removed - please see separate report by the Head of Finance.</p> <p>Position - July 2016 The ICT strategy will reference using the Councils data centres as a backup for each other. This should ensure continuity of service in the event of a disaster recovery incident.</p> <p>Position – September 2016 This is still anticipated to be completed by end</p>	Capita Account Director	31 August 2015	✓	<p>N/A</p> <p>31 December 2016</p> <p>N/A To be removed</p>

Disaster Recovery 2014/15

Final report issued June 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>December 2016.</p> <p>Position – November 2016 No update received.</p> <p>Position – March 2017 No longer relevant. This is not a Capita responsibility. Work is currently being undertaken to improve the following aspects of existing data centres: Power UPS Data Centre Security.</p> <p>Data is not kept locally. Tapes are taken off site and stored within the other Councils safe. In addition some site to site replication is in place.</p> <p>** I suggest this recommendation is removed now.</p>				

Audit Plan 2015/16

Data Protection 2015/16							
Final report issued October 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
02	The Authority should also consider putting in place an overarching Data Sharing Protocol / Policy, which would provide a framework for the authority, helping them adopt good practices with regard to Data Sharing.	Medium	<p>Head of Democracy and Governance to develop a protocol.</p> <p>Position – November 2015 Not yet due</p> <p>Position – February 2016 Not started due to work commitments.</p> <p>Position – June 2016 Not yet due.</p> <p>Position – September 2016 Still to be developed.</p> <p>Position – November 2016 Draft being looked at.</p> <p>Position – February 2017 Still to be progressed.</p>	Head of Democracy and Governance	31 January 2016	×	<p>30 June 2016</p> <p>1 January 2017</p> <p>1 June 2017</p>

Development Management 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	<p>We recommend that all officers within the Planning Service complete a Declaration of Interest form on an annual basis.</p> <p>In addition, procedure notes should be produced documenting how the declaration of Interest will be enforced.</p> <p>We also recommend that the Head of Regeneration and Development request the Scheme of Delegation be amended so that where necessary, applications from the Council and from Councillors are referred to the Development Management Committee for decision.</p>	Merits Attention	<p>Agreed.</p> <p>We agree that all principal planners and their team leaders and section head should complete a declaration of Interest form. Normally these forms are held centrally.</p> <p>Agreed.</p> <p>Position – February 2016 Waiting for example of form from SIAS.</p> <p>Spoken with Head of Democracy and Governance. Annual reporting not necessarily sufficient as conflict of interest could occur at any time within the year. Current practice is via email to manager.</p> <p>Position – June 2016 Not implemented due to staff turnover. Revised deadline end of July 2016.</p> <p>Position – September 2016 No update received.</p> <p>Position – November 2016 No formal handover of the outstanding audit recommendations took place during the recent re-structure and as a result, the actions remain incomplete. These will now be taken forward by the Head of Development Management.</p>	<p>Head of Regeneration & Development</p> <p>Head of Development Management</p>	<p>30 April 2016 (for the new Financial Year)</p> <p>31 May 2016</p>	x	<p>31 July 2016</p> <p>28 February 2017</p>

Development Management 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Position – February 2017 No update received.				
04	We recommend that checks are undertaken on a sample of pre-existing fields to ensure data submitted is accurate. If further differences are identified the scope should be extended to include all data-sets on the PS1 and PS2 returns.	Medium	<p>Agreed.</p> <p>The information provided in the PS1 and PS2 table for DCLG does not appear to allow interrogation so this has to be undertaken in a different format, which is time consuming.</p> <p>The variation in the two data sets is minor but this does need investigating.</p> <p>Further training is required in understanding the queries and how to find the raw data to review.</p> <p>The timing of implementing this recommendation will coincide with the updates that will be introduced for the system.</p> <p>Position – February 2016 Will be implemented as part of move to hosted service for Uniform planned for May 2016.</p> <p>Position – June 2016 Still awaiting move to hosted service.</p> <p>Position – September 2016 No update received.</p> <p>Position – November 2016 No formal handover of the outstanding audit recommendations took place during the recent re-structure and as a result, the actions remain</p>	<p>Interim Development Management Section Head</p> <p>Head of Development Management</p>	29 February 2016	x	<p>31 May 2016</p> <p>31 August 2016</p> <p>28 February 2017</p>

Development Management 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			incomplete. These will now be taken forward by the Head of Development Management. Position – February 2017 No update received.				

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	We recommend that the next review be approved by Leadership Team and Members.	Medium	<p>Agreed, will take next review to Leadership Team and Cabinet.</p> <p>Position – February 2016 Leadership Team report re - scheduled for March 2016</p> <p>Position – June 2016 Due to recent structure changes, a report to CABINET to be moved till the Autumn to allow time to have a review of Safeguarding roles and responsibilities. The current structure remains and CSE has been included in the policy and procedures.</p> <p>Position – September 2016 LT report scheduled for October</p> <p>Position – November 2016 Due to changes in service provision e.g. recent cessation of direct provision of Play Services, it has been agreed to conduct a full and comprehensive review of safeguarding roles, procedures, policy and resources</p>	Culture and Play Section Head	31 January 2016 (Leadership Team)	x	<p>31 March 2016</p> <p>31 October 2016</p> <p>31 July 2017</p>

Safeguarding 2015/16

Final report issued November 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	We recommend that the policy and procedures be reviewed and amended to specifically reflect CSE.		<p>between April – July 2017. In the interim the Section Head for Culture and Play will provide the lead, conduct a self-assessment and make any relevant recommendations to LT for the review team to team to consider.</p> <p>Position – February 2017 In progress</p> <p>Agreed.</p> <p>Position – February 2016 Cabinet report re- scheduled for June or July 2016.</p> <p>Position – June 2016 Due to recent structure changes, a report to CABINET to be moved till the Autumn to allow time to have a review of Safeguarding roles and responsibilities. The current structure remains and CSE has been included in the policy and procedures.</p> <p>Position – September 2016 After LT report in October a decision to be taken by LT if a Cabinet report is required. It may be a PFH report.</p> <p>Position – November 2016 Due to changes in service provision e.g. cessation of direct provision of Play Services, it has been agreed to conduct a full and comprehensive review of safeguarding roles, procedures, policy and resources between</p>		31 March 2016 (Cabinet)	x	<p>31 July 2016</p> <p>31 October 2016</p> <p>31 July 2017</p>

Safeguarding 2015/16							
Final report issued November 2015							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>April – July 2017. In the interim the Section Head for Culture and Play will provide the lead, conduct a self-assessment and make any relevant recommendations to LT for the review team to team to consider.</p> <p>Position – February 2017 In progress.</p>				
08	We recommend that the Council suggest greater scrutiny involvement to examine the organisations position in relation to safeguarding responsibilities.	Merits Attention	<p>Agreed.</p> <p>Position – February 2016 Not yet due</p> <p>Position – June 2016 Not yet due.</p> <p>Position – September 2016 Scrutiny scheduled for January 2017. Scoping meeting scheduled for October with Chair. Scrutiny officer engaged and involved.</p> <p>Position – November 2016 Overview and Scrutiny Committee's agenda for 19 January 2017 will include an item about 'Safeguarding'.</p> <p>Position – February 2017 Overview and Scrutiny received a report on Safeguarding from the Section Head Culture and Play and the contents of the report were noted.</p>	Committee and Scrutiny Officer	30 June 2016	✓	31 January 2017

Safeguarding 2015/16

Final report issued November 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
09	We recommend that further discussions regarding this issue are raised through the police, obtaining clarity to ensure consistency around police notifiable occupations. This is an issue that is being discussed at a national level due to guidance issued by the National Police Chiefs' Council.	Medium	<p>Agreed.</p> <p>Position – February 2016 Discussions with the Police Community Safety Unit who are leading discussions across the county to improve communication underway. Introduction of a new system to check applicants history in place, protocols of use of this new procedure in development jointly with 3RDC. No current issues with notifications but any will be raised and followed up.</p> <p>Position – June 2016 Local arrangement for intelligence checking with the Police fully in place and working well, this is mitigating risks surrounding formal notifications to some degree. Formal notification and disclosure through the County Police unit still unresolved. Information received that clarifies the Police's position but remains unsatisfactory from WBC perspective. Request for further consideration sent to County unit and support of Watford Chief Inspector secured to champion this matter.</p> <p>Position – September 2016 Ongoing discussions. Processes continue to work well at a local level but examples at a county level continue to be found of non-notification.</p> <p>Position – November 2016 As September 2016. Issues being raised cross county in respect of Police notifications. To be raised County wide. Local processes continue to work effectively.</p>	Environmental Health and Licensing Section Head	31 January 2016	✓	<p>31 March 2016</p> <p>30 November 2016</p> <p>1 April 2017</p>

Safeguarding 2015/16

Final report issued November 2015

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			Position – February 2017 Local processes continue to work well. No current issues exist. Will be followed up if another situation arises.				

Building Control 2015/16

Final report issued February 2016

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	We recommend that all officers within the Building Control Service complete a Declaration of Interest form on an annual basis.	Merits Attention	<p>The team will be asked to supply details of any private work they undertake and any other conflicts of interest. This will be logged on personal files. We have asked SIAS to provide an example of an annual declaration template as used elsewhere and will then introduce an annual review process.</p> <p>Position – June 2016 Not implemented due to staff turnover. Revised deadline end July 2016.</p> <p>Position – September 2016 No update received.</p> <p>Position – November 2016 No formal handover of the outstanding audit recommendations took place during the recent</p>	<p>Head of Regeneration & Development</p> <p>Head of Development Management</p>	30 April 2016	x	<p>31 July 2016</p> <p>28 February 2017</p>

Building Control 2015/16							
Final report issued February 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
			re-structure and as a result, the actions remain incomplete. These will now be taken forward by the Head of Development Management. Position – February 2017 No update received.				

Contract Management 2015/16							
Final report issued May 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✗ or ✓	Revised Deadline
02	It is recommended that the Council's Housing team carry out spot checks within the Hostels and Self-Contained Properties to ensure the accuracy and compliance of the Contractors inspections.	Medium	Agreed – Will ensure all properties have had at least 1 spot check by end of year and put hostels on a rolling programme Position – September 2016 Not started yet but still intend to have this done by March 2017. Position – November 2016 Spot check started October focusing on hostels first - Tibbles, York, Butterwick and Aldenham checking communal areas for	Housing Supply Manager	Start 1 July 2016 All complete by 31 March 2017 Then ongoing	✗	

Contract Management 2015/16							
Final report issued May 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>cleaning and maintenance standards.</p> <p>Next stage is to check void units before re-let and the standalone properties.</p> <p>Position – February 2017 Position still as above. 2 hostel voids checks will be completed by April.</p> <p>Possibly 1 standalone depending on whether it becomes void before April. Due in the next 4 weeks.</p>				
03	<p>We recommend that contract risks should be identified and managed. The risks should be recorded either in a separate risk register for significant contracts, or for smaller contracts via a generic contract management risk within service risk registers.</p> <p>A review of risks should form part of contract monitoring activity.</p>	Medium	<p>Agreed – The Contract Management Forum Steering Group on 1st April, agreed to run a workshop on Contract Risk Management in June 2016. The intention of the workshop is to raise awareness of risk management and to help develop guidance and templates that are user friendly to support officers when undertaking this aspect of contract management.</p> <p>Position – September 2016 CMF training session on managing contract risk held on 19th July. It covered managing risk and the risk register and discussed a risk register template particularly for smaller projects. A further session is planned towards the end of September 2016. The aim of that session is to set objectives and actions to provide a guidance note, process and recording format to identify and manage risk.</p> <p>Position – November 2016</p>	Contract Procurement Manager	30 June 2016	✓	<p>30 November 2016</p> <p>28 February 2017</p>

Contract Management 2015/16							
Final report issued May 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			<p>Significant progress has been made and there is now a draft guidance and risk log ready to put into the test and implementation stage. Three Rivers colleagues are being asked to adapt the guidance to reflect the Three Rivers scoring mechanisms which differ from Watford. The implementation plan has been discussed at the 3rd November Steering Group and the test phase should be completed end of Dec 2016. Lunch and Learns on the process and documentation will take place in February 2017 which will complete the roll out.</p> <p>Position – February 2017 Lunch and Learns on the process and documentation took place on the 9th and 21st February 2017 to complete the roll out.</p>				

Cemeteries 2015/16							
Final report issued May 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	It is recommended that as part of the lone working risk assessment, consideration be given to holding regular 'one to one' meetings with the Cemetery Manager on site at the	Medium	<p>Agreed – A new additional post at the Cemetery is to be recruited. As part of the process, the risk assessment will be reviewed.</p> <p>Regular meetings with staff at the Cemetery</p>	Environmental Services Client Manager (Parks & Open Spaces)	30 September 2016	✓	March 2017 for new post in place

Cemeteries 2015/16							
Final report issued May 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	cemetery with meeting / action notes completed.		<p>will be planned and minuted.</p> <p>Position – September 2016 Job description in draft and will be for an assistant cemetery manager. Meetings set up for monthly 121's.</p> <p>Position – November 2016 Monthly 1-2-1's taking place. Job descriptions agreed, to be sent for job evaluation.</p> <p>Position – February 2017 Recruitment to take place March/April Monthly meetings in hand with Head of Service and line manager on Cemetery action plan outcomes. Minutes recorded Original recommendation has been completed.</p>				
02	It is recommended that action is taken to protect the site plans. One option to consider is to create digital copies for online storage and view, and another would be to store them in a fireproof cabinet.	Medium	<p>Agreed – Fireproof cabinet to be purchased.</p> <p>Position – September 2016 Ongoing enquiries with several companies, struggling to find a product that will fit requirements. Possible solution is digitisation of maps – costs to be determined for maps and records or through the Gower system.</p> <p>Position – November 2016 Cemetery Manager met with supplier this week, awaiting quote, plans can be scanned first week of December if agreed.</p> <p>Position – February 2017 Plans now scanned and placed on a disc, this is stored in fire proof cabinet. A copy</p>	Cemetery Manager	30 June 2016	✓	31 December 2016

Cemeteries 2015/16

Final report issued May 2016

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			made and stored at the Town Hall.				
05	<p>It is recommended that a more robust system for raising invoices and subsequent debt recovery is agreed, approved and put in place. The following points should be considered:</p> <p>a) Process all invoices through the Council's E-fin system at the time of transaction.</p> <p>b) The system invoice is printed and sent immediately following completion of the service provided.</p> <p>c) If deemed necessary, a covering letter, offering a compassionate message from the Council, could be sent with the actual invoice.</p> <p>d) Following the 30 day term for payment, if still unpaid, the Council's debt recovery procedures should be used.</p> <p>e) Accurate records of any recovery 'chasing' action taken to be recorded electronically.</p> <p>f) An aged debt analysis report should be compiled and reviewed at least quarterly.</p>	Medium	<p>Agreed – review and update of current procedures in conjunction with the Cemetery Manager and Finance Department will be completed.</p> <p>Position – September 2016 No change due to restructures in Finance department. Now in place, to be reviewed in September / October.</p> <p>Position – November 2016</p> <p>a) The hardware at the cemetery is nearly in place for finance records to be completed via the council's e-finance system.</p> <p>b) Invoices are now sent at time of burial from the cemetery Gower system</p> <p>c) In the cases of infant burials and burials without a funeral director, a covering letter is sent as the invoice wording is not customer friendly for families suffering a bereavement, these were designed with funeral directors in mind</p> <p>d) A more robust system is in place for chasing invoices outstanding after 30 days, this will be part of the E-finance system when in place</p> <p>e) Accurate records of chasing are being kept at the cemetery which includes copies of all letters and notes of phone conversations</p>	Environmental Services Client Manager (Parks & Open Spaces)	31 August 2016	✓	<p>31 October 2016</p> <p>31 December 2016</p>

Cemeteries 2015/16

Final report issued May 2016

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	<p>g) The overall results of the quarterly review, including the total outstanding debt figure, should be reported to and monitored by Senior Management.</p> <p>h) Documented terms should be agreed with all Funeral Directors, specifically clarity on who will be invoiced and responsible for payment.</p>		<p>f) This will be covered in the Council's e-finance system once in place</p> <p>g) See above</p> <p>h) To be discussed with funeral directors that request us to invoice customers direct</p> <p>Position – February 2017</p> <p>a) The hardware at the cemetery is in place for finance records to be completed via the council's e-finance system.</p> <p>b) Invoices are sent at time of burial from the cemetery Gower system</p> <p>c) In the cases of infant burials and burials without a funeral director, a covering letter is sent as the invoice wording is not customer friendly for families suffering a bereavement, these were designed with funeral directors in mind</p> <p>d) A more robust system is in place for chasing invoices outstanding after 30 days</p> <p>e) Accurate records of chasing are being kept at the cemetery which includes copies of all letters and notes of phone conversations</p> <p>f) Programmed into regular one to ones</p> <p>g) In place</p> <p>h) Discussed with funeral directors that request us to invoice customers direct.</p>				

Audit Plan 2016/17

Freedom of Information 2016/17							
Final report issued August 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved ✕ or ✓	Revised Deadline

Freedom of Information 2016/17							
Final report issued August 2016							
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	<p>We recommend that FOI procedures regarding Client Liaison Officer (CLO) / Customer Service Team Leader (CSTL) responsibilities are updated and a response protocol particularly for when responses should go via Communications be drafted.</p> <p>The procedures should show the date of last review and be subject to periodic review.</p>	Merits Attention	<p>Agreed</p> <p>Position – September 2016 No further update on above as final audit report only issued on 11 August 2016.</p> <p>Position – November 2016 Currently in the process of being rolled out – on target for completion by 30 November 2016.</p> <p>Position – February 2017 This has been completed. The CSC identify media/sensitive requests and ensure copies go to Communications (Debbie Bacon) for her input. Procedure notes completed and for TL review 1/4/17.</p>	Customer Services Team Leader	31 December 2016	✓	
03	<p>We recommend that all EIR requests are identified as such when recorded, as there are some specific regulations that may need to be applied.</p>	Merits Attention	<p>Agreed</p> <p>Position – September 2016 No further update on above as final audit report only issued on 11 August 2016.</p> <p>Position – November 2016 Currently in the process of being rolled out – on target for completion by 30 November 2016.</p> <p>Position – February 2017 This has been completed. All EIR requests are identified on the reporting template and details included on updated procedure note for CLO's.</p>	Client Liaison Officers	30 April 2017	✓	

Freedom of Information 2016/17

Final report issued August 2016

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
04	We recommend that regularly requested information such as Public Health Funerals is published on the Council's website.	Merits Attention	<p>A review of the associated information requested about Public Health burials is being undertaken and if this indicates supply of information on the web would be of benefit this will be undertaken and regularly updated.</p> <p>Position – September 2016 No further update on above as final audit report only issued on 11 August 2016.</p> <p>Position – November 2016 Review underway.</p> <p>Position – February 2017 Template being designed and frequently requested information to be placed on the website. Some more sensitive information occasionally requested not to be included. To be on the web by end of March</p>	Environmental Health and Licensing Section Head	31 December 2016	x	1 April 2017
	We also recommend that the Lead Officer's half year report could be improved by detailing the FOI and EIR request split and including details of reviews / appeals which indicate additional staff time used.		<p>Once Client Liaison Officers have been trained and are differentiating the requests</p> <p>Position – September 2016 No further update on above as final audit report only issued on 11 August 2016.</p> <p>Position – November 2016 Will be progressed for next half yearly report.</p> <p>Position – February 2017 As November comment. Half yearly report not yet due.</p>	Head of Democracy & Governance	30 April 2017	x	

Section 106 2016/17**Final report issued September 2016**

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
02	<p>We recommend that the Service should produce a new SPD for Section 106 and Affordable Housing at the earliest opportunity.</p> <p>Once published, the SPD should be reviewed on a regular basis to ensure it remains current.</p>	Medium	<p>Most contributions are received through the Community Infrastructure Levy (CIL) and the CIL Charging Schedule has now superseded both the existing SPD and the Planning Obligations Guidelines for calculating the contributions for these cases.</p> <p>However, we do see the merit in updating the SPD for the contributions that are still received through Section 106 as well as the Affordable Housing contributions.</p> <p>Position – November 2016 Work has already commenced on the affordable housing SPD and a separate framework agreement for planning obligations. Both of these documents are on track to be published by the 30 June 2017.</p> <p>Position – February 2017 The Affordable Housing SPD continues on track. This will be tackling the issue of commuted payments. A first draft will be available mid-March for discussion. Initial stakeholder workshops are to be organised with developers etc, prior to first draft consultation going out to the wider public. Therefore, the timescale for this first draft will be due end of May. The Developer Contributions SPD work has been suspended following the publication of the</p>	Planning Policy Section Head	30 June 2017	x	

Section 106 2016/17

Final report issued September 2016

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
			national CIL Review work which is advocating a new modified Local Infrastructure Tariff and partial return to s106. It is understood that the Government will be making further announcements in November. Consequently the Developers contributionsSPD is awaiting the outcome from Government as there are likely to be significant changes in legislation.				

Museum Exhibits 2016/17

Final report issued November 2016

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
01	We recommend that the stock of museum artefacts be checked on a regular basis, in accordance with guidance available for museums	Merits Attention	A procedure for regular stock taking through an industry-approved computer cataloguing system is in place, but due to IT issues the museum's computer cataloguing	Heritage & Arts Manager, Museum Curator	31 March 2017	x	

Museum Exhibits 2016/17

Final report issued November 2016

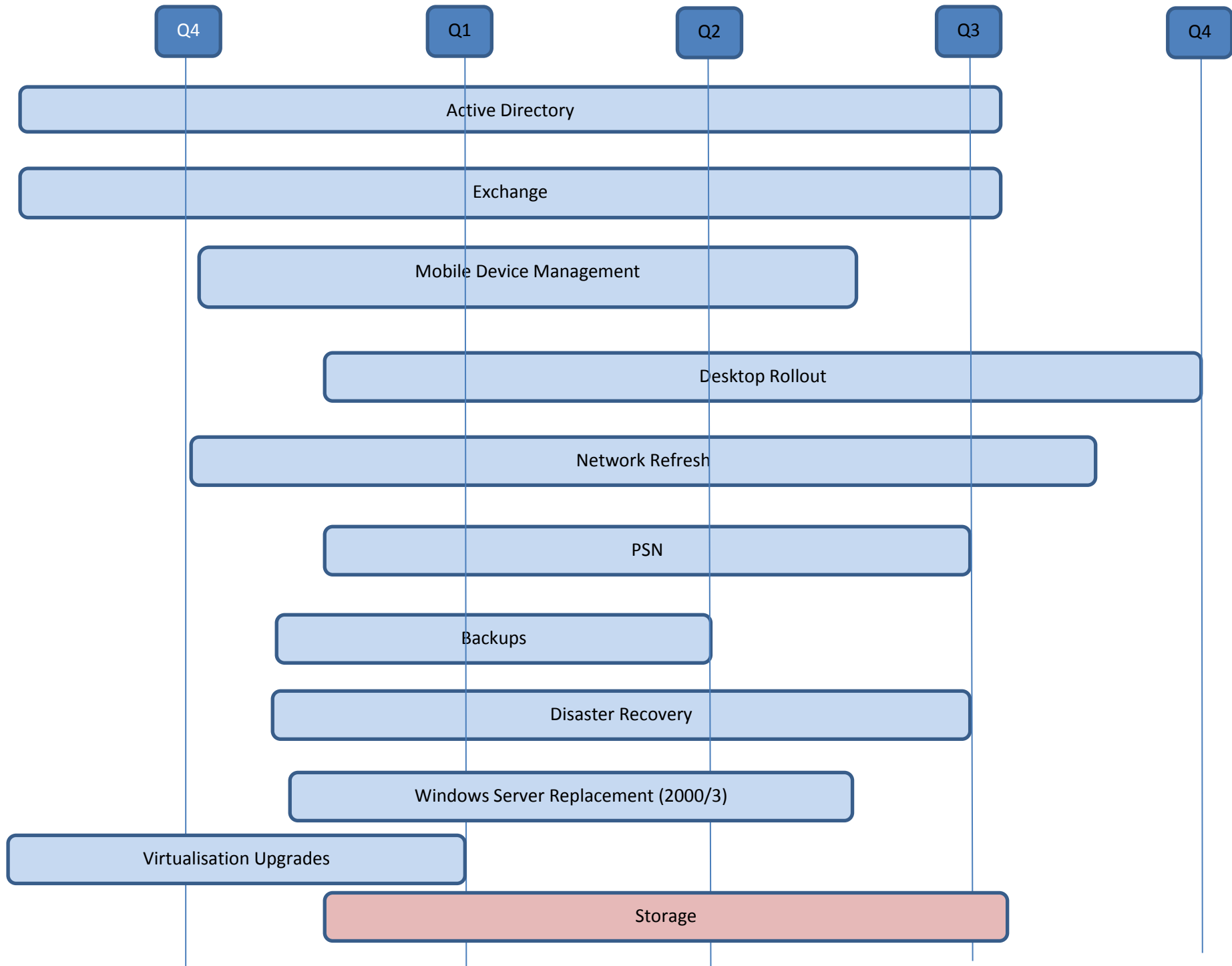
Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved x or ✓	Revised Deadline
	similar to Watford.		<p>system, MODES, cannot be employed to best practice. Sarah Priestley has been in contact with IT regarding these issues.</p> <p>Position – February 2017 IT is in the process of procuring Wifi and laptops to enable the effective use of MODES.</p>				
02	<p>We recommend that the museum ascertain the position for the practice of deployment of emergency plans.</p> <p>We recommend consideration is given to any necessary changes to the Emergency Plan should the Heritage Lottery Fund be successful.</p>	Merits Attention	<p>Practices of emergency plans were incorporated into the museum's planning during the course of November 2016 and this is now considered to be implemented.</p> <p>We have been in contact with Facilities Management regarding best practice and new emergency boxes will be purchased.</p> <p>Position – February 2017 Emergency box being ordered to go in the Salvage Store at the Town Hall.</p>	Heritage & Arts Manager, Museum Curator	<p>Implemented</p> <p>31 December 2016</p>	<p>✓</p> <p>✓</p>	

Contract Management 2016/17

Final report issued January 2017

WBC Internal Audit Recommendations Follow Up – February 2017**APPENDIX C**

Ref No.	Recommendation	Priority	Action to Date	Responsibility	Deadline	Resolved × or ✓	Revised Deadline
01	We recommend that all invoices are checked for accuracy of charges made before payment is made to the supplier.	Merits Attention	Agreed Position – February 2017 Implemented	Transport & Infrastructure Section Head	Implemented	✓	



Report to: Audit Committee

Date of meeting: 16 March 2017

Report of: Head of Finance (shared services)

Title: External Audit – Certification Work Report 2015/16

1.0 SUMMARY

- 1.1 This report allows the Committee to note the annual certification work letter from the Council's external auditor (Ernst and Young UK LLP).

2.0 RECOMMENDATIONS

- 2.1 That members note the contents of the certification work letter.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (Shared Services)
telephone extension: 7188
email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

3.0 **DETAILS**

3.1 Attached at Appendix 1 is the certification work letter for the financial year 2015/16.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

None Specific.

4.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

APPENDIX

Appendix 1 EY UK LLP Watford Borough Council – Certification letter
2015/16 – February 2017

Certification of claims and returns annual report 2015-16

Watford Borough Council

7th February 2017

Ernst & Young LLP



Building a better
working world

The Members of the Audit Committee
Watford Borough Council
Hempstead Road,
Town Hall,
Watford,
Hertfordshire
WD17 3EX

7th February 2017

Direct line: + 44 118 928 1167
Email: ABrittain@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 Watford Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Watford Borough Council's 2015-16 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £40,223,237. We certified the claim on the 13th December after the submission deadline of the 30th November due to delays in receiving the completed extended testing back from the Council to check. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We have made two recommendations this year, set out in section 4.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 16 March 2017 Audit Committee.

Yours faithfully

Andrew Brittain
Director
Ernst & Young LLP
Enc

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3. Looking forward4

4. Summary of recommendations5

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£40,223,837
Amended/Not amended	Amended – subsidy reduced by £600
Qualification letter	Yes
Fee – 2015-16	£15,380
Fee – 2014-15	£36,027
Recommendations from 2014-15	Findings in 2015-16
This is EYs first year as auditor we did not make any recommendations in the prior year.	Extended testing was not completed in time to meet the claim deadline and workbooks were not always completed to the required standard. Further details of these findings are included in section 4.

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in the following areas:

- Rent rebates - Initial testing identified one case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. Because of the error identified by our initial testing, extended testing on a sample of 40 cases was undertaken. This testing identified a further fifteen instances where the claimants income had been incorrectly assessed. These resulted in the overpayment of benefit (eight cases) and the underpayment of benefit (seven cases). We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £5,299) in our qualification letter.
- Rent rebates - Initial testing identified one case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly rent. Because of the error identified by our initial testing, extended testing on a sample of 40 cases was undertaken. This testing identified a further seven instances where the claimants rent had been incorrectly assessed. These all resulted in the overpayment of benefit. We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £354) in our qualification letter.
- Rent Allowances – Initial testing identified one case where the Authority had underpaid benefit as a result of using the incorrect LHA rate. Because errors using the incorrect LHA rate could result in overpayments extended testing on a sample of forty cases was undertaken. This testing identified a further two instances where the claimants income had been incorrectly assessed. These resulted in the overpayment of benefit (one case) and the underpayment of benefit (one case). We reported the effect of the overpayment errors (a potential reduction in benefit eligible for subsidy of £2,871) in our qualification letter.

In addition, the Council undertook full population testing on Rent Allowance cases in receipt of Widowed Parents Allowance due to an error identified in the initial testing on these cases. The testing identified errors which the Council amended. They had a small net impact on the claim (reduction of subsidy entitlement of £600).

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	15,268	8,316	36,027

This is the first year EY have carried out the Housing Benefit Subsidy claim for Watford Borough Council so we are unable to comment on the work undertaken in the prior year.

The variation from the indicative fee in 2015-16 is due to an additional fee of £6,952 charged for the certification work. This was due to delays in receipt of extended testing, lack of system availability and additional work required on workbooks completed by the Council.

The housing benefit subsidy fee is still subject to approval by PSAA.

3. Looking forward

The duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work is delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £23,837. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the director of finance before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing benefits subsidy claim – Work to an agreed timetable to ensure all work is completed by the 30 th November 2017 deadline	High	Agreed	Sept 2017	Jude Green
Housing Benefit subsidy claim – Ensure workbooks are fully completed.	High	Agreed	Sept 2017	Jude Green

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PART A

Report to: Audit Committee

Date of meeting: 16 March 2017

Report of: Head of Finance (shared services)

Title: External Auditor's Reports to Committee

1.0 SUMMARY

- 1.1 This report allows the Committee to note the following reports from EY who are the council's appointed external auditors and ask any questions of the external auditor concerning their reports.

2.0 RECOMMENDATIONS

- 2.1 That members note the contents of the EY reports.

Contact Officer:

For further information on this report please contact: -

Bob Watson, Head of Finance (Shared Services)

Telephone extension: 7188

email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe Director of Finance

3.0 **DETAILS**

3.1 Attached at Appendices 1 and 2 are the following reports from EY:

Appendix 1 - Audit Plan.

Appendix 2 – EY Local Government briefing

A representative from EY, the Council's appointed external auditors will be at the meeting to present the reports and answer any relevant questions.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

4.3.1 None Specific.

4.4 **Potential Risks**

4.4.1 There are no risks associated with the decisions members are being asked to make.

APPENDICES

Appendix 1 - Audit Plan

Appendix 2 – EY Local Government briefing

Watford Borough Council

Year ending 31 March 2017

Audit Plan

8 February 2017

Ernst & Young LLP



Building a better
working world

Audit Committee
Watford Borough Council
Hempstead Road,
Town Hall,
Watford,
Hertfordshire
WD17 3EX

8 February 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. We welcome the opportunity to discuss this Audit Plan with you on 16 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
Executive Director
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Watford Borough Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)

Our audit approach

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition.

We will

- ▶ Develop a testing strategy for capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our approach will focus on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- ▶ Reviewing accounting estimates for evidence of management bias, and
- ▶ Evaluating the business rationale for significant unusual transactions

Business rates provision

Councils include provisions in their accounts for the future cost of making repayments of business rates to payers who successfully appeal against the rateable value of their property as determined by the local Valuation Office. In 2015/16 Watford Borough Council made a provision of £22.452m in its Collection Fund, the Council's share of this was £8.381m (40% of the total). This provision is a material estimate based on estimates of the likelihood of success of appeals.

Our approach will focus on:

- ▶ Ensuring the provision is a reliable estimate in accordance with IAS37.
- ▶ Performing procedures that will enable to rely on management's experts' estimation
- ▶ Review and test in year movements on the provision i.e. repayments made

Other financial statement risks

Financial Statements Presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement

Amendments have been made to the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code)* this year changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review

Our approach will focus on:

- ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code
- ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service

of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

areas reported.

- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2016-17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has not identified any risks which we view as relevant to our value for money conclusion at this time; however we will keep this assessment under review as the audit progresses.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;
- 2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in the prior year, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Actuary - Hymans Robertson LLP and EY pensions
Asset valuations	Bilfinger GVA, Anne Collins B Sc (Est Man) MRICS
NDR Appeals Provision	Inform CPI

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1,628k based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £81,396 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 How materiality is applied to the component locations

We determine component materiality as a percentage of Group materiality based on risk and relative size to the Group. The Group has one component, Watford Health Campus we have determined that group materiality is £1,899k based on 2% of gross revenue expenditure. The component reporting limit for adjustments of £94,973.

4.6 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Watford Borough Council is £51,975.

4.7 Your audit team

The engagement team is led by Andrew Brittain, who has significant experience of external audit. Andrew Brittain is supported by Hannah Ormston who is responsible for the day-to-day direction of audit work and is the key point of contact for the Council's Finance team.

4.8 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	January 2017	16 March 2017	Audit Fee Letter Audit Plan
Risk assessment and setting of scopes	January 2017	N/a	
Testing routine processes and controls and early substantive testing	March/April 2017	29 June 2017	Progress Report
Year-end audit	July/August 2017		
Completion of audit	August 2017	TBC	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and, overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2017	TBC	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, we have not provided any non-audit services to the Council, and therefore no additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, the audit engagement Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	51,975	51,975	59,001	Our final fee included a scale fee variation of £7,026. This was due to additional work performed on; the review and consultation on seven prior period adjustments, audit of two prior period adjustments, an additional significant risk on PPE valuation, additional testing and reporting due to not being able to rely on the IT control environment, additional accounts receivable testing due to not being able to rely on controls and additional journal testing required.
Total Audit Fee – Code work	51,975	51,975	59,001	
Certification of claims and returns ¹	23,837	23,837	15,268	The variation from the indicative fee in 2015-16 is due to an additional fee of £6,952 charged for the certification work. This was due to delays in receipt of extended testing, lack of system availability and additional work required on workbooks completed by the Council.

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the [Audit Committee]. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	▶ Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Report to those charged with governance
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Report to those charged with governance
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Report to those charged with governance
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Report to those charged with governance
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<ul style="list-style-type: none"> ▶ Audit Plan
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

Appendix C Detailed scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which together enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ **Full scope:** locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Group audit team for the purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- ▶ **Specific scope:** locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Group audit team.
- ▶ **Limited Scope:** limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.
- ▶ **Other procedures:** For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 15% of the Group's gross revenue expenditure.

These other procedures will include:

- ▶ Obtain management's review of actual performance compared to budget, prior year.
- ▶ Review of group wide entity level controls over these components, including the level of CEO, CFO and other group management oversight and results of Internal Audit visits.
- ▶ Perform analytical review procedures.
- ▶ Test consolidation journals.
- ▶ Enquiry of management about unusual transactions in these components.

Review of management's reconciliation of local stats to prior year group reporting packages.

Watford Health Campus

The Authority is going to consolidate Watford Health Campus. Watford Health Campus is expected to represent approximately 14% of total group expenditure. We have determined that the scope for this component will be review scope so we will carry out other procedures as detailed above.

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. Our involvement can be summarised as follows:

Location name	
Watford Health Campus	We will review the audit report produced by the audit team focusing on the specific balances which are considered to have a material impact on the group accounts.

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Local government audit committee briefing

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Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Government and economic news

EY item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy is taking the referendum in its stride, the impression could be deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

Social Care Precept and New Homes Bonus

The 'Provisional local government finance settlement 2017/18' announced that an additional £900mn would be used to fund the social care system over the next two years. This will be made up of two parts:

- ▶ £240mn transfer from the new homes bonus
- ▶ £652mn from increasing the social care precept (£208mn in 2017/18 and £444mn in 2018/19)

New Homes Bonus

The consultation for the new homes bonus ended and the Government made a number of revisions to the grant. The transfer from the new homes bonus represents a change that ensures that councils will only receive funding for housing built above the national housing growth baseline of 0.4%. There will also be a movement to five year payments from 2017/18 and four year payments from 2018/19.

There are no proposals to withhold grants for those authorities without a local plan in 2017/18 but this will be revisited for 2018/19. The bonus will continue to be unringfenced as in previous years.

Social Care Precept

Councils will have the flexibility to increase the dedicated social care precept by up to 3% in 2017/18 and 2018/19 (this was previously capped at 2% for each of the three years 2017/18 to 2019/20). If this is chosen it will be equivalent to an increase of £1 a month on an average Band D Council Tax bill. However the social care precept would need to remain at 6% over the next three years, therefore if the increased 3% was taken in 2017/18 and 2018/19 it could not be increased again in the following year.



Government and economic news

Within the 'Provisional local government finance settlement 2017/18' It has been highlighted that increased funding is not the only way to improve social care but better integration of the health service and local government is needed. In Oxfordshire this has led to a 40% fall in delayed discharges in 6 months and in Northumberland increased work between the council and the health service has led to a 12% reduction in demand on residential care.

Local Government Funding Settlement

The four year funding settlement has been agreed to by 97% of councils. This will mean councils will have £7.6bn in total dedicated social care funding over the four years up to 2019/20. In return they will have to publish efficiency plans online.

It is expected that top-tier authorities are likely to benefit most from the settlement as they have high-demand critical services and will therefore receive more funding. However district councils will see a greater squeeze on their budgets due to the reduction in the new homes bonus.

This comes as a step towards devolution. The introduction of fully retained business rates will also bring about more power for councils to serve their local communities. However this does open councils up to more risk. For this to be beneficial the economy will need to grow and more houses will need to be built. Councils therefore need to think about how they will ensure that this does not leave them in a worse position than through central government funding.

Funding for new care model vanguards

In order to support and spread the work of new care model vanguard projects, NHS England has announced over £100mn of funding being made available. NHS England sees that the existing vanguards, partnerships of NHS, local government, voluntary, community and other organisations are improving the healthcare people receive, preventing ill health, and saving funds.

They are seen as key to the delivery of Sustainability and Transformation Plans (STPs) which are being developed across the country and, in addition to funding, the vanguards receive support to implement their plans from both NHS England and other national bodies. This includes how they harness new technology including apps and shared computer systems, and to develop their workforce so that it is focused around patients and their local populations. Vanguards are required to meet a number of conditions to obtain funding, including:

- Demonstrating clear improvements in quality and costs/savings
- Spreading their new care models, both within their STP and sharing with others (including producing guidance and materials for others to use)

The announcement highlights examples of areas the latest funding will be used on, and examples of work done to date. These include:

- **Fylde Coast Local Health Economy vanguard** – a new 'extensive care service' bringing together different health professionals offering targeted support for older patients with multiple conditions, this has contributed to significant reductions in areas such as non-elective admissions (25%) and A&E attendances (13%)
- **Mid Nottinghamshire Better Together vanguard** – joined-up community teams are working with patients and their families/carers, providing physical, mental and social care support to ensure people are wherever possible cared for at home. The vanguard has reported reductions in long term admissions to care homes and acute bed days, together with significant year-on-year reductions in avoidable patient attendances (20.5% for patients aged 80 years and above compared to 2015/16)



Government and economic news

- **East and North Hertfordshire Clinical Commissioning Group vanguard** – employing pharmacists to work with GPs, care home staff and other healthcare professionals to provide detailed medicine reviews for residents. Working with the care homes, the vanguard has already reviewed over 900 patients and the use of 8,000 medicines. Of these over 1,000 medicines have been stopped, including nearly 200 which could have increased the risk of falls. The estimated direct cost savings are in excess of £160,000

Financial Sustainability of Schools

The Department of Education has predicted that mainstream schools will have to find savings of £3bn (8%) by 2019/20. This is expected to come from efficiencies from the following:

- £1.3bn from better procurement
- £1.7mn from using staff more efficiently

The Government has proposed to increase the schools budget over the next four years, and by 2019/20 the increase will be 7.7% compared to the 2015/16 level. However the increase in pupil number is expected to be 3.9% in the same period, once inflation is taken into account; this is a real time reduction in funding per pupil.

The Department continues to publish advice on financial management and efficiency savings.

The proportion of secondary schools overspending rose from 34% in 2010/11 to 59% in 2014/15. For academies this rose from 39% to 61%. The reasons for this are unclear, and the sustainability of this spending is unknown.

Highway Network Assets

The depreciated replacement cost accounting for Highway Network Assets is expected to come into effect from 1 April 2017, but is subject to confirmation from CIPFA. EY has run a number of workshops for clients and there are a range of levels of confidence over the accounting treatment for the asset. It can however be seen that the levels of confidence have increased from this time last year.

The key question for councils to consider will be how can we demonstrate that their Highways Asset Management System is complete and that all assets exist.

By following the DREAM approach set out below we believe the task will run smoother.

Document highways systems: Almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

Reports and reconciliations: Assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

Evidential based: The quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'top-up' work is required.



Government and economic news

Audit: Early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

Materiality: This is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the Highway Network Asset is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with your external audit team at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team

Sustainability and Transformation Plans

Sustainability and Transformation Plans (STP) have now been produced and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effecting delivery of the STP. These include meeting control totals to reduce deficits and meeting certain performance requirements. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as ‘place-based planning’. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King’s Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The Plans have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the Plans are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted Plans will need further development and engagement before they can be effectively implemented.



Government and economic news

All parties to the STP will need to collaborate to ensure the plans take full account of the pressures faced by the individual parties. Whilst the process provides opportunities for areas with challenging finances to identify solutions, there will be difficult decisions to be made about the range, type and location of services that are delivered. Per the NHS Confederation, the important element of prevention requires a strong role from public health as well as wider Council services such as housing, leisure and recreation, planning and children's services.

The leadership of the STP is critical to the success of the plan. The role of the STP leaders needs to be clarified with many leads finding it difficult to manage their original responsibilities alongside their leadership role. There are plans for some leaders to share leading more formally in the future. However where there are a large number of organisations involved this may be more difficult to do.

Priorities for social care in 2017

The Kings Fund has set out what it believes the five priorities should be for social care in the current year as follows:

- ▶ **Supporting new care models centred on the needs of patients** – Giving greater priority to public health and prevention, through partnerships between local government, the NHS, and other organisations, focused on both supporting people to remain in good health for as long as possible and engaging the public in tackling the causes of ill health. Additionally, they emphasise the need for continued support for vanguards both in delivering in their areas and spreading that good practice across the system
- ▶ **Strengthening and implementing sustainability and transformation plans** – The Kings Fund suggests that, to ensure that the service changes and the financial plans that underpin them are credible, all STPs need to be stress tested. It also highlights that STPs have 'no basis in statute' and suggests that their governance is formalised to align their work with the responsibilities of the boards running NHS organisations
- ▶ **Improving productivity and delivering better value** – With the need for increasing productivity becoming more urgent as funding decreases and deficits amongst NHS providers increases, the fund suggests that the priority for every NHS organisation should be to support clinical teams to reduce unwarranted variations in care and to improve care. It sees the boards of NHS organisations as having a key role in leading this work, ensuring that developing the cultures in which improvement is supported and valued and making resources available to support implementation
- ▶ **Developing and strengthening leadership at all levels** – It is clear that clinical leaders have a crucial role, working with operational managers, to deliver high-quality care. This is where many of the productivity opportunities arising from changes in clinical practice can be realised. They argue that this requires leaders who are (in their words) 'comfortable with chaos' because they can work within fluid and often rapidly changing organisational arrangements and that the NHS can learn from local government
- ▶ **Securing adequate funding for health and social care** – They refer to the need for a debate about a new settlement for health and social care, building on the work of the Barker Commission, and going further than short-term interventions that have sought to shore up the system. They argue that an equitable and sustainable system would be one in which public funding is increased (paid for by increases in taxes and National Insurance and changes to some existing benefits), and a closer alignment between entitlements to social care and health care



Accounting, auditing and governance

PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

Report on the results of auditors work LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link [http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf). The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19? Has the authority decided whether they will use the revised flexibility on the social care precept for 2017/18 and 2018/19?

How confident is the authority about its preparation for the introduction of Highway Network Assets? Have there been discussions with the external audit team on the key issues and plans for implementation?

Has the authority engaged positively with health and other partners in the development of Sustainability and Transformation Plans?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?



Find out more

EY Item Club winter forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

Social Care, Precept and New Homes Bonus

http://www.publicfinance.co.uk/news/2016/12/council-tax-precept-and-new-homes-bonus-deployed-stem-social-care-crisis?utm_source=Adestra&utm_medium=email&utm_term

<https://www.gov.uk/government/news/dedicated-adult-social-care-funding-forms-key-part-of-continued-long-term-funding-certainty-for-councils>

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

Four year funding settlement

<http://www.publicfinance.co.uk/news/2015/12/local-government-settlement-offers-councils-four-year-funding-deals>

Funding for new care model vanguards

<https://www.england.nhs.uk/2016/12/vanguard-funding/>

Financial Sustainability of Schools

<https://www.nao.org.uk/report/financial-sustainability-in-schools/>

Sustainability and Transformation Fund

<https://www.kingsfund.org.uk/blog/2016/11/will-stps-deliver-changes-we-wish-see-our-health-and-care-services>

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

Priorities for social care in 2017

<https://www.kingsfund.org.uk/publications/priorities-nhs-social-care-2017>

PSAA Audit Services Procurement Strategy for the appointment of local auditors

<http://www.psaa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

Report on the results of auditors work LG bodies 2015/16

<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

[http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

Notes

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ED None

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PART A

Report to: Audit Committee

Date of meeting: 16 March 2017

Report of: Head of Finance (shared services)

Title: Committee Work Programme

1.0 SUMMARY

1.1 To review and make necessary changes to the Audit Committee's Work Programme

2.0 RECOMMENDATIONS

2.1 That the Committee considers and makes necessary changes to its Work Programme.

Contact Officer:

For further information on this report please contact: -
Bob Watson, Head of Finance (Shared Services)
Telephone extension: 7188
email: bob.watson@threerivers.gov.uk

Report approved by: Joanne Wagstaffe, Director of Finance

3.0 DETAILS

- 3.1 The work programme is presented at each meeting of the Committee to enable any changes to be made and to provide Members with updated information on future meetings. The programme of reports scheduled to be presented to this Committee in financial year 2017/18 are shown below;

Date	Reports
29 June 2017	<ul style="list-style-type: none">▪ SIAS Internal Audit Annual Report 2016/17▪ Fraud Annual Report 2016/17▪ Annual Governance Statement 2016/17▪ Draft Statement of Accounts 2016/17▪ Treasury Management Annual Report 2016/17▪ Ombudsman's Annual Letter 2017▪ Standing items
27 September 2017	<ul style="list-style-type: none">▪ External Auditors Report and Approval of the 2016/17 Statement of Accounts▪ SIAS Board Annual Report 2016/17▪ Standing items
7 December 2017	<ul style="list-style-type: none">▪ External Auditors Annual Audit Letter 2016/17▪ Annual Governance Statement – Action Plan Update▪ Treasury Management Mid-Year Report 2017/18▪ Risk Management Strategy▪ Draft Treasury Management Strategy 2018/19▪ Standing items
15 March 2018	<ul style="list-style-type: none">▪ RIPA 2017▪ Corporate Risk Register▪ External Audit Certification Work Report 2016/17▪ Accounting Policies 2017/18▪ SIAS Internal Audit Plans 2018/19▪ Standing items

Standing items are: -

- SIAS Internal Audit Progress Report
- External Audit Progress Report – Recommendations
- Committee's Work Programme

- 3.2 Attached at Appendix 1 is a list of topics that can be scheduled for discussion as part of the Committee's Agenda business.

- 3.3 The annual statement accounts for the financial year 2017/18 are now subject to a revised timetable which means the draft accounts are to be produced and signed by the council's Chief Financial Officer by 31 May. The audited accounts need to be agreed and signed by Committee by 31 July each year

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 None Specific.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

4.3 **Equalities**

4.3.1 None Specific.

4.4 **Potential Risks**

4.4.1 There are no risks associated with the decisions members are being asked to make.

The table below contains a list of proposed discussion topics for the Audit Committee and offers the opportunity to express an interest in each topic.

Topic	Led by
Audit Committee effectiveness	SIAS
Navigating SIAS audit reports	SIAS
The role of the Audit Committee in corporate governance	Governance Officer / SIAS
The role of the Audit Committee in risk management	Risk Manager / SIAS
The role of the Audit Committee with the work of external audit	External Audit
Statement of Accounts for Audit Committees	Finance
Anti-Fraud and Corruption	Anti-Fraud Team
Emerging Risks	SIAS
Oversight of Freedom of Information (where relevant)	FOI Officer
About SIAS	SIAS

Each of the above topics could be covered as a high level 'lite bite' (15 to 30 minutes) or as an extended session (45minutes to 1 hour max) prior to the commencement of each Audit Committee. The latter may involve merging some of the proposed topics.

Shorter sessions are a popular choice for Members pressed for time and not wishing to be overwhelmed by detail.