

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

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	<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

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	<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

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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

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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

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	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

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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

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	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.		