



Watford Borough Council
Audit Committee Progress Report
30 June 2014

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report Against the 2014/15 Audit Plan
- Approve amendments to the Audit Plan as at 2 June 2014
- Agree removal of implemented recommendations (see Appendix 3)
- Agree the changes to the implementation date for 8 recommendations (paragraph 2.6) for the reasons set out in Appendix 3.

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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 2014/15 as at 2 June 2014.
- b) Proposed amendments to the approved 2014/15 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 2 June 2014.

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 Internal audit service transferred to the Shared Internal Audit Service (SIAS) in April 2013. The 2014/15 Annual Audit Plan was approved by Audit Committee on 12 March 2014.

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 12 March 2014.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 2 June 2014, 13% of the 2014/15 Audit Plan days had been delivered (calculation excludes contingency). Appendix 2 provides a status update on each individual deliverable within the audit plan.
- 2.2 The following 2013/14 reports have been finalised since March Audit Committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Asset Management	Feb '14	Substantial	Two medium Two merits attention
Project and Change Management	Mar '14	Substantial	One medium
Anti-fraud Baseline Assessment	Mar '14	Full	None
Corporate Governance	Apr '14	Full	One merits attention
Risk Management	Apr '14	Full	None
Council Tax (shared)	Apr '14	Moderate	One high Seven medium Two merits attention
Non-Domestic Rates (NDR) (shared)	Apr '14	Substantial	None – common themes are noted in the Council Tax final audit report
Creditors (shared)	Apr '14	Moderate	One high Three merits attention
Budget Monitoring	Apr '14	Substantial	One medium One merits attention
Main Accounting (shared)	Apr '14	Substantial	Two medium One merits attention

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Payroll (shared)	May '14	Full	None
Benefits (shared)	May '14	Moderate	None – common themes are noted in the Council Tax final audit report
Debtors (shared)	May '14	Substantial	Three medium One merits attention
IT Vulnerabilities Extended Follow Up (shared)	May '14	N/A	N/A
IT Cyber Risk (shared)	Jun '14	Moderate	One high Six medium Two merits attention

No 2014/15 reports have yet been finalised. Details on the status of audits in this year's plan are detailed in Appendix 2. Currently this includes a proposed 'start quarter' for each audit. However, to assist in work scheduling / resourcing both within the Council and SIAS, we are in the process of agreeing specific start times and key contacts with management. Details will be available at the time of the next committee.

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 high priority 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 May 2014, with full details given in Appendix 3:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time	Percentage implemented %
2010/11	213	211	1	1	99%
2011/12	114	111	0	3	97%
2012/13	49	47	0	2	96%
2013/14	68	37	27	4	54%
2014/15	-	-	-	-	-

Although Cyber Risk has been included as a finalised report in the table at section 2.2, the recommendations arising are not included in the table above or in Appendix 3 as the final report for this audit was issued after the recommendation update request was sent to action owners. These recommendations will be included in the follow up report to September Audit Committee.

2.5 The Committee will be aware that the ICT service was outsourced to Capita Secure Information Solutions from 20 May 2013 and that the outstanding ICT recommendations were prioritised to be completed during transition (up to 20 May 2013) or transformation (after 20 May 2013).

2.6 Extension to implementation dates have been requested for 8 recommendations, as detailed in Appendix 3, covering the following audits:

- a) One for IT Project Management,
- b) Two for IT Back Up and Disaster Recovery,
- c) One for IT Server Virtualisation,
- d) One for Risk Management,
- e) One for Procurement and Contract Baseline Assessment,
- f) Two for Housing Redesign.

In the case of one further recommendation from the audit of IT Remote Working (Ref. 05), the action remains in progress,

however, no new deadline date beyond the last extension (to March 2014) has been confirmed.

In the case of the one recommendation from the Commercial Rents audit, no update was received, although the original deadline date of 31 March 2014 has elapsed.

Proposed Audit Plan Amendments

2.7 The following amendment to the 2014/15 Audit Plan has been agreed with management and is brought before this Committee for approval:

- The original 2014/15 Audit Plan for WBC included 12 days for a review of the Health Campus. This audit has been cancelled as a review was completed as part of the 2013/14 audit plan and the project is not due to enter into the next auditable phase during 2014/15. The budget of 12 days will now be used on a new audit of Contract Payments planned for quarter three.

Performance Management

2.8 Annual performance indicators and associated targets were approved by the SIAS Board on 20 March 2014. Actual performance for Watford Borough Council against the targets that can be monitored for 2014/15 is shown the table below.

Performance Indicator	Annual Target	Profiled Target to 2 June 2014	Actual to 2 June 2014
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	15%	13%
2. Planned Projects – percentage of actual completed projects to draft	95%	7%	0%

report stage against planned completed projects (excludes 2012/13 completion and 'on-going' pieces)			
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	0%	0% (no 2014/15 audits yet finalised)
4. Number of High Priority Audit Recommendations agreed	95%	0%	0% (no 2014/15 audits yet finalised)

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2014/15 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.