



Watford Borough Council
Audit Committee Progress Report
11 March 2015

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 20 February 2015
- Approve amendments to the Audit Plan as at 20 February 2015
- Agree removal of implemented recommendations (see Appendix B)
- Agree the changes to the implementation date for 21 recommendations (paragraph 2.6) for the reasons set out in Appendix B.

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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 20 February 2015.
- 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 20 February 2015.

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 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 10 December 2014.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 20 February 2015, 87% of the 2014/15 Audit Plan days had been delivered (calculation excludes contingency) for the combined WBC and Shared Services plans. Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 The following 2014/15 reports have been finalised since December Audit Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Council Tax (shared plan)	Dec '14	Substantial	Two medium Four merits attention
Debtors (shared plan)	Dec '14	Moderate	Two high One medium One merits attention
Sickness Absence (shared plan)	Dec '14	Full	None
IT Change Management (shared plan)	Jan '15	Moderate	Four medium Two merits attention
NDR (shared plan)	Jan '15	Moderate	Two high Five medium Three merits attention
Treasury Management CRSA Year 1	Feb '15	Full	None
VINCI Contract	Feb '15	Substantial	Three medium

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 2015, with full details given in Appendix B:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time**	Percentage implemented %
2010/11	213	212	1	0	99%
2011/12	114	111	0	3	97%
2012/13	49	47	0	2	96%
2013/14	93	76	8	9	82%
2014/15	34	10	16	8	29%

- 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 21 recommendations, as detailed in Appendix B, covering the following audits:
- a) One for IT Project Management,
 - b) Two for IT Back Up and Disaster Recovery (actual dates not confirmed),
 - c) One for IT Server Virtualisation (actual date not confirmed),
 - d) One for Risk Management,
 - e) Three for Counter Fraud Arrangements in the Shared Service Benefit Fraud Team,

- f) One for Main Accounting System,
- g) One for Cyber Risk,
- h) Three for Health Campus,
- i) Four for Council Tax,
- j) Four for Debtors.

** In the case of one of the outstanding recommendations from the Housing Redesign audit, (ref. 04), no update was received, although the latest deadline date (December 2014) has now elapsed. This accounts for the difference of 1 between the number of recommendations itemised above (21) and the total number in the 'Outstanding and request made for extended time' column in the table at 2.4 (22).

Proposed Audit Plan Amendments

2.7 Since December 2014 Audit Committee, the following amendment to the 2014/15 Shared Services Audit Plan has been agreed with officers of the Council and is detailed below for Audit Committee approval:

- Review of Counter-Fraud Arrangements – audit cancelled as there is only limited value in audit involvement in 2014/15 as the Council has not decided on arrangements for the fraud team going forwards. Area included in the draft 2015/16 Shared Services Plan when assurance over arrangements is considered more valuable.

As this is a late plan change in the financial year a review in conjunction with Management of reserve items that can be accommodated has resulted in Management requesting that the five days be used for a Voluntary Sector Grants audit at Three Rivers District Council.

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 20 February 2015	Actual to 20 February 2015
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	85%	87%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2013/14 completion and 'on-going' pieces)	95%	74% (20 projects to draft)	70% (19 projects to draft)
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%	100% (4 made)

- 2.9 Four new high priority recommendation have been made since December Audit committee. Two relate to the Debtors audit (promptness of recovery action and use of hold codes to suspend recovery action) and two to the NDR audit (monitoring of debt with the bailiffs and ensuring uncollectable debt is written-off in a timely manner).

Full details are included in Appendix B.

- 2.10 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.