

Watford Borough Council
Audit Committee
15 March 2018

Watford & Three Rivers Shared Services 2018/19 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
<p>KEY FINANCIAL SYSTEMS Key financial systems are of critical importance to sound financial management and financial reporting. Management need to be assured that these systems are soundly controlled in order to meet organisational objectives.</p>			
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) Recovery and write-off of overpayments, d) Reconciliation between the benefits system and general ledger, e) System controls and data retention. <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p> <p>Testing of 2018/19 standing data will be carried out in May 2018 to give assurance early in the year that these have been correctly set within the system parameters.</p>	13	Q3 (Q1 for system parameter testing)
Council Tax	<p>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:</p>	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 Council Tax 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 will cover the 2018/19 financial year and both 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, f) Credit notes and refunds.</p>	9	Q3

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	<p>Access controls over the purchasing module within the main financial system will be covered in the Main Accounting system audit.</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</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 will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</p>	9	Q3
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</p>	10	Q4

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	<p>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. <p>Testing to cover the 2018/19 financial year and will be apportioned between Watford Borough Council and Three Rivers Council transactions.</p>		
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), f) Payments and Refunds, g) Recovery, Enforcement and Write offs, h) Reconciliation between the NDR System and general ledger. 	12	Q3

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	<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 will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council cases.</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> <ul style="list-style-type: none"> 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>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council transactions.</p>	10	Q3
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>	5	Q3

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	<p>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> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council transactions.</p>		
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> <p>a) Budget monitoring process. b) Accuracy and timeliness of budget data, c) Budget variance approval, d) Member involvement in budget monitoring and reporting.</p> <p>Testing will cover the 2018/19 financial year and both Watford Borough Council and Three Rivers Council transactions.</p>	5	Q4

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OPERATIONAL AUDITS			
Agency Staffing	To provide assurance that the framework contract for agency staffing is operating effectively and delivers best value.	10	Q2
PROCUREMENT			
	No shared procurement reviews identified at this stage.		
JOINT REVIEWS			
	See local plans.		
COUNTER FRAUD			
	No shared counter fraud reviews identified at this stage.		

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RISK MANAGEMENT AND GOVERNANCE			
	See local audit plans.		
IT AUDITS			
Cyber Security	To provide assurance that cyber security strategies and arrangements are appropriately designed and operated to manage the risk of cyber attacks.	12	Q2
IT Operations	Review main elements of IT Operations using the ITIL methodology. Scope to include both third party arrangements and internal elements of the IT service.	20	Q4
IT Contract Management	<p>Review to cover a sample of IT contracts. Typical scope to include:</p> <ul style="list-style-type: none"> 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. b) Performance monitoring – performance management framework, SLAs and performance indicators, reviews and action plans when failing. 	15	Q3

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	<p>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>		
FOLLOW-UP AUDITS			
	See local audit plans.		
TO BE ALLOCATED			
	No budget set at outset.		
STRATEGIC SUPPORT			

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	See local audit plans.		
2017/18 PROJECTS REQUIRING COMPLETION			
2017/18 projects requiring completion	Additional time, if required, for the completion of 2017/18 audit work carried forward into 2018/19. The proposed number of days is an estimate which will be reviewed as required.	6	Q1
TOTAL AUDIT PLAN DAYS – SHARED SERVICES PLAN		148	

2018/19 RESERVE LIST – including outline scope (Detailed scope for each to be determined in the event that the audit is transferred to the main plan)			
	None identified		