



Watford Borough Council
Audit Committee Progress Report
26 July 2018

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 6 July 2018
- Agree removal of implemented recommendations (see Appendix C)
- Agree changes to the implementation dates for 7 recommendations (paragraph 2.5) for the reasons set out in Appendix C
- Note the revised assurance definitions / priority levels

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- B 2018/19 Audit Plan Projected Start Dates
- C Revised Assurance Definitions/Priority Levels
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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 2018/19 as at 6 July 2018.
 - b) Proposed amendments to the approved 2018/19 Annual Audit Plan.
 - c) Implementation status of all outstanding previously agreed audit recommendations from 2015/16 onwards.
 - d) An update on performance management information as at 6 July 2018.
 - e) The revised assurance definitions/priority levels.

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 2018/19 Annual Audit Plan was approved by Audit Committee on 15 March 2018.
- 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 15 March 2018.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 6 July 2018, 19% of the 2018/19 Audit Plan days had been delivered for the combined WBC and Shared Services plans (calculation excludes 'To Be Allocated'). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 Six 2017/18 reports have been finalised since the date of the last committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Payroll	Feb '18	Substantial	One merits attention
Budget Monitoring	Mar '18	Full	None

Main Accounting	Mar '18	Substantial	None
Housing Improvement Plan	Mar '18	Full	None
Creditors	Apr '18	Substantial	Two medium One merits attention
Treasury Management	May '18	Substantial	Two medium

No 2018/19 projects have yet been finalised.

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 July 2018, with full details given in Appendix D:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time*	Percentage implemented %
2015/16	56	55	0	1	98%
2016/17	35	32	0	3	91%
2017/18	21	18	0	3	86%

*or no update provided.

- 2.5 Since March 2018 Audit Committee, an extension to the implementation date has been requested by the action owner for the following audits:
- One from the 2015/16 Safeguarding audit,
 - Three from the 2016/17 Tree Surveying audit,
 - One from the 2017/18 Follow up of legacy IT audit recommendations & Extended DR Scope,
 - One from the 2017/18 Cyber Security audit, and
 - One from the 2017/18 Creditors audit.

Proposed Audit Plan Amendments

- 2.6 There are no proposed changes to the 2018/19 Audit Plan to bring to the attention of this committee.

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 2018/19 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 2018. Actual performance for Watford Borough Council against the targets that can be monitored for 2018/19 is shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 6 July 2018	Actual to 6 July 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency).	95%	20% (55 / 275 days)	19% (52 / 275 days)
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%	13% (3 out of 24 projects to draft)	13% (3 out of 24 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%	N/A – none yet made in 2018/19

- 2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2018/19 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.

Revised Assurance Definitions / Priority Levels

- 2.10 The existing assurance definitions have been replaced with four new assurance levels and definitions to accompany them (see Appendix D). With respect to the finding priority levels, we have added an additional priority level (Critical) to reflect findings that have an impact at a corporate or strategic level, rather than just at a service or directorate level. These changes will be reflected in all 2018/19 internal audits.
- 2.11 The changes have been made following extensive research of other public and private sector assurance definitions / finding priorities and general internal audit good practice. It was also a response to client feedback.

