



Watford Borough Council Audit Committee Progress Report 20 September 2018

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 7 September 2018
- Approve amendments to the Audit Plan as at 7 September 2018
- Agree removal of implemented recommendations (see Appendix C)
- Agree changes to the implementation dates for 2 recommendations (paragraph 2.5) for the reasons set out in Appendix C

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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 7 September 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 7 September 2018.

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 26 July 2018.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 7 September 2018, 31% 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 Two 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
Contract Management	Jul '18	Substantial	One medium
Markets	Jul '18	Not Assessed	N/A

Three 2018/19 reports have been finalised since the date of the last committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Grants	Jul '18	Good	One low
GDPR Preparedness	Jul '18	Satisfactory	Two medium Two low
Equality Impact Assessments	Aug '18	Satisfactory	One 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 September 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	3	0	91%
2017/18	24	23	0	1	96%
2018/19	6	5	1	0	83%

*or no update provided.

2.5 Since July 2018 Audit Committee, an extension to the implementation date has been requested by the action owner for the following audits:

- a) One from the 2015/16 Safeguarding audit, and
- b) One from the 2017/18 Cyber Security audit.

Proposed Audit Plan Amendments

2.6 The Temporary Accommodation audit has been cancelled from the 2018/19 Audit Plan at the request of management. The service is undergoing a number of initiatives, including the introduction of a new system and re-engineering of internal processes and it is considered that there is no value in auditing the service at this time. It is however, likely that the audit will be included in the 2019/20 Audit Plan to provide assurance on how the revised processes and new system are

operating in practice. Seven days have been returned to the 'To be allocated' budget and steps are in progress to identify alternative use for these days.

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 7 September 2018	Actual to 7 September 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency).	95%	32% (85 / 268 days)	31% (82.5 / 268 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%	22% (5 out of 23 projects to draft)	17% (4 out of 23 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	100%
4. Number of Critical / 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.

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 7 SEPTEMBER 2018

2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Benefits (shared plan)					13	Yes	3	Parameter testing completed May 2018. Remainder of audit In Planning
Council Tax (shared plan)					12	Yes	1	In Planning
Creditors (shared plan)					9	Yes	0	Allocated
Debtors (shared plan)					9	Yes	1	In Planning
Main Accounting (shared plan)					10	Yes	0	Allocated
NDR (shared plan)					12	Yes	2	Parameter testing completed May 2018. Remainder of audit In Planning
Payroll (shared plan)					10	Yes	0	Allocated
Treasury Management (shared plan)					5	Yes	0	Allocated
Budget Monitoring (shared plan)					5	Yes	0	Allocated
Operational Audits								
Agency Spend (shared plan)					10	Yes	8	In Fieldwork
GDPR Preparedness	Satisfactory	0	2	2	12	Yes	12	Final Report Issued
GDPR Post implementation review					8	Yes	0	Allocated
Parking Strategy					10	Yes	1	In Planning

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 7 SEPTEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Temporary Accommodation					1	N/A	1	Cancelled
Commercial strategy					10	BDO	0	Allocated
Grants	Good	0	0	1	6	Yes	6	Final Report Issued
Equality Impact Assessments	Satisfactory	0	1	0	5	Yes	5	Final Report Issued
Home Improvement Agency					3	Yes	2	In Fieldwork
DFG Capital Grant Certification					1	Yes	0	Allocated
Procurement								
No audits								
Counter Fraud								
No audits								
Risk Management and Governance								
Risk Management					5	Yes	0	Allocated
IT Audits								
Cyber Security (shared plan)					12	BDO	2	Terms of Reference Issued
IT Operations (shared plan)					20	BDO	2	Terms of Reference Issued
IT Contract Management (shared plan)					15	BDO	2	Terms of Reference Issued
SIAS Joint Work								
Shared Learning Newsletters					3	N/A	1.5	Through year

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 7 SEPTEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Joint Reviews– topics to be determined					2	Yes	0	Allocated
Ad Hoc Advice								
Ad Hoc Advice					2		1	Through year
To Be Allocated								
Unused contingency (shared plan)					7		0	
Strategic Support								
Head of Internal Audit Opinion 2017/18					2	N/A	2	Complete
External Audit Liaison					1	N/A	0.5	Through year
Audit Committee					10	N/A	4	Through year
Monitoring & Client Liaison					11	N/A	4.5	Through year
2019/20 Audit Planning					7	N/A	0	Due quarter 4
SIAS Development					3	N/A	3	Complete
AGS					3	N/A	3	Complete
Follow-up of recommendations					10	N/A	4	Through year
Completion of 2017/18 audits								
Time required to complete work commenced in 2017/18 (6 days shared plan; 5 days WBC)					11	N/A	11	Complete

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 7 SEPTEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
WBC TOTAL					120		55.5	
SHARED SERVICES TOTAL					155		27	
COMBINED TOTAL					275		82.5	

Key to recommendation priority levels:

H = High

M = Medium

MA = Merits attention

N/A = Not applicable

APPENDIX B – 2018/19 AUDIT PLAN PROJECTED START DATES

Apr	May	June	July	August	September
Revenues & Benefits System Parameter Testing (shared plan)* Complete	Grants Final Report Issued	Equality Impact Assessments Final Report Issued	Agency Staffing (shared plan) In Fieldwork		Parking Strategy In Planning
GDPR Preparedness Final Report Issued					Home Improvement Agency In Fieldwork
					DFG Capital Grant Certification In Planning
					Cyber Security (shared plan) Terms of Reference Issued

***Notes:**

- Revenues & Benefits System Parameter Testing completed in May 2018 - remainder of Benefits and NDR work due Q3.

APPENDIX B – 2018/19 AUDIT PLAN PROJECTED START DATES

October	November	December	January	February	March
Council Tax (shared plan) In Planning	NDR (shared plan) In Planning	Treasury Management (shared plan)	Creditors (shared plan)	Budget Monitoring (shared plan)	
Debtors (shared plan) In Planning	Benefits (shared plan) In Planning		Main Accounting (shared plan)		
Risk Management	Payroll (shared plan)		Commercial Strategy		
	IT Contract Management (shared plan) Terms of Reference Issued		IT Operations (shared plan) Terms of Reference Issued		
	GDPR - PIR				

***Notes:**

- Revenues & Benefits System Parameter Testing completed in May 2018 - remainder of Benefits and NDR work due Q3.
- GDPR – Post Implementation Review moved from August to November as original audit was only concluded in July 2018.