



Watford Borough Council
Audit Committee Progress Report
14 March 2019

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 22 February 2019
- Approve amendments to the Audit Plan as at 22 February 2019
- Agree removal of implemented recommendations (see Appendix C)
- Agree the change to the implementation date for 1 recommendation (paragraph 2.5) for the reason 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 22 February 2019.
 - b) Proposed amendments to the approved 2018/19 Annual Audit Plan.
 - c) Implementation status of all outstanding previously agreed audit recommendations from 2016/17 onwards.
 - d) An update on performance management information as at 22 February 2019.

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 6 December 2018.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 22 February 2019, 92% of the 2018/19 Audit Plan days had been delivered for the combined WBC and Shared Services plans (calculation excludes 'To Be Allocated' days). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 Six 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
NDR	Dec '18	Satisfactory	One medium Two low
Cyber Security	Jan '19	Satisfactory	Three medium

Council Tax	Feb '19	Satisfactory	One medium Three low
GDPR (post implementation review)	Feb'19	Good	None
Payroll	Feb '19	Good	None
Treasury Management	Feb '19	Good	None

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 2019, with full details given in Appendix C:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time*	Percentage implemented %
2016/17	35	32	3	0	91%
2017/18	29	24	5	0	83%
2018/19	17	7	9	1	41%

*or no update provided.

Since December 2018 Audit Committee, an extension to the implementation date for one recommendation from the 2018/19 Council Tax audit has been requested by the action owner.

Proposed Audit Plan Amendments

- 2.5 The Commercial Strategy audit has been cancelled from the 2018/19 Audit Plan at the request of management as there has been insufficient progress in developing the strategy to warrant audit involvement at this stage. However, management have requested that the audit be included in the 2019/20 Audit Plan. Ten days have been returned to the 'To be allocated' budget.
- 2.6 Additional testing has been incorporated into some of the existing key financial systems audits and a total of five days taken from the 'To be allocated' budget to cover this.

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 22 February 2019	Actual to 22 February 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency).	95%	94% (250 / 267 days)	92% (246 / 267 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2017/18 completion and 'on-going' pieces).	95%	86% (19 out of 22 projects to draft)	77% (17 out of 22 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	86% (7 received) Note (1)
4. Number of Critical / High Priority Audit Recommendations agreed	95%	95%	N/A – none yet made in 2018/19

Note (1) – One of those received in 2018/19 relates to a 2017/18 audit.

- 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 22 FEBRUARY 2019

2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Key Financial Systems									
Benefits (shared plan)						14	Yes	13.5	Draft Report Issued
Council Tax (shared plan)	Satisfactory	0	0	1	3	13	Yes	13	Final Report Issued
Creditors (shared plan)						10	Yes	9.5	Draft Report Issued
Debtors (shared plan)	Good	0	0	0	0	10	Yes	10	Final Report Issued
Main Accounting (shared plan)						14	Yes	10	In Fieldwork
NDR (shared plan)	Satisfactory	0	0	1	2	13	Yes	13	Final Report Issued
Payroll (shared plan)	Good	0	0	0	0	10	Yes	10	Final Report Issued
Treasury Management (shared plan)	Good	0	0	0	0	5	Yes	5	Final Report Issued
Budget Monitoring (shared plan)						5	Yes	1	In Fieldwork
Operational Audits									
Agency Spend (shared plan)						10	Yes	9.5	Draft Report Issued
GDPR Preparedness	Satisfactory	0	0	2	2	12	Yes	12	Final Report Issued
GDPR Post implementation review	Good	0	0	0	0	8	Yes	8	Final Report Issued
Parking						10	Yes	9.5	Draft Report Issued
Temporary Accommodation						1	N/A	1	Cancelled
Commercial Strategy						0	N/A	0	Cancelled
Grants	Good	0	0	0	1	6	Yes	6	Final Report Issued
Equality Impact Assessments	Satisfactory	0	0	1	0	5	Yes	5	Final Report Issued
Home Improvement Agency						3	Yes	2.5	Draft Report Issued

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 22 FEBRUARY 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
DFG Capital Grant Certification	N/A		-	-	-	1	Yes	1	Complete
Procurement									
No audits									
Counter Fraud									
No audits									
Risk Management and Governance									
Risk Management						5	Yes	3	In Fieldwork
IT Audits									
Cyber Security (shared plan)	Satisfactory	0	0	3	0	12	BDO	12	Final Report Issued
IT Operations (shared plan)						20	BDO	15	In Fieldwork
IT Contract Management (shared plan)						15	BDO	14	In Quality Review
SIAS Joint Work									
Shared Learning Newsletters						3	N/A	3	Complete
Joint Reviews– topics to be determined						2	Yes	2	Complete
Ad Hoc Advice									
Ad Hoc Advice						2		2	Complete
To Be Allocated									
Unused contingency						5		0	

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 22 FEBRUARY 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
(shared plan)									
Strategic Support									
Head of Internal Audit Opinion 2017/18						2	N/A	2	Complete
External Audit Liaison						1	N/A	1	Complete
Audit Committee						10	N/A	9	Through year
Monitoring & Client Liaison						11	N/A	10	Through year
2019/20 Audit Planning						7	N/A	7	Complete
SIAS Development						3	N/A	3	Complete
AGS						3	N/A	3	Complete
Follow-up of recommendations						10	N/A	10	Complete
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
WBC TOTAL						110		105	
SHARED SERVICES TOTAL						162		141.5	
COMBINED TOTAL						272		246.5	

Key to recommendation priority levels:
 C - Critical
 H = High

APPENDIX A PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 22 FEBRUARY 2019

M = Medium

L = Low / Advisory

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) Draft Report Issued		Parking Draft Report Issued
GDPR Preparedness Final Report Issued					Home Improvement Agency Draft Report Issued
					DFG Capital Grant Certification Complete
					Cyber Security (shared plan) Final Report 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) Final Report Issued	NDR (shared plan) Final Report Issued	Treasury Management (shared plan) Final Report Issued	Creditors (shared plan) Draft Report Issued	Budget Monitoring (shared plan) In Fieldwork	
Debtors (shared plan) Final Report Issued	Benefits (shared plan) Draft Report Issued		Main Accounting (shared plan) In Fieldwork		
Risk Management In Fieldwork	Payroll (shared plan) Final Report Issued		IT Operations (shared plan) In Fieldwork		
	IT Contract Management (shared plan) In Quality Review		GDPR - PIR Final Report Issued		