



Watford Borough Council  
Audit Committee  
12 March 2020

## 2020/21 Internal Audit Plan Report

### Recommendation

Members are recommended to approve the proposed Watford Borough Council and Shared Services Internal Audit Plans for 2020/21

# **Contents**

## **1. Introduction and Background**

- 1.1 Purpose**
- 1.2 Background**

## **2. Audit Planning Process**

- 2.1 Planning Principles**
- 2.2 Approach to Planning**
- 2.4 Planning Context**
- 2.7 Internal Audit Plan 2020/21**

## **3. Performance Management**

- 3.1 Update Reporting**
- 3.3 Performance Indicators**

# **Appendices**

- A Proposed Watford Borough Council Audit Plan 2020/21**
- B Proposed Watford and Three Rivers Shared Services 2020/21 Audit Plan**
- C Audit Start Dates Agreed with Management**

# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed Watford Borough Council and Shared Services 2020/21 Internal Audit Plans.

## Background

- 1.2 The Watford Borough Council and Shared Services Internal Audit Plans set out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the July 2019 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2020/21 Civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
- Outlines how the service will be developed in accordance with the internal audit charter
  - Details how the internal audit plan will be delivered
  - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

# 2. Audit Planning Process

## Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues;

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements;
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met;
- e) Identification of responsibilities where services are delivered in partnership;
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

#### Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

#### *Local and National Horizon Scanning*

SIAS reviews, on an ongoing basis:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level.

#### *Consideration of risk management arrangements*

SIAS determines the extent to which information contained within the council's risk registers informs the identification of potential audit areas.

#### *Confirmation of the council's objectives and priorities*

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the council's objectives and priorities.

2.3 The approach to audit planning for 2020/21 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the council to identify auditable areas and a high-level scope for each. This process incorporates the following steps to assist in the prioritisation of projects:

*Risk Assessment*

Managers and SIAS agree the level of risk associated with an identified auditable area.

*Other sources of Assurance*

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

*Significance*

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

*Timings*

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee;
- c) The proposed 2020/21 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are made available to Group Heads of Service for comment and agreement.

This approach ensures our work gives assurance on key areas of risk and thus assists the Council in achieving its objectives

The Planning Context

- 2.4 The context within which local authorities provide their services remains challenging. Many services continue to manage increasing demand and constrained finances.
- 2.5 The resultant efficiency and transformation programme that councils are developing and implementing continue to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

- 2.6 The challenge of giving value in this context means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
  - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
  - Give assurance on the control environment in relation to new developments, using current audit approaches such as 'continuous assurance' where appropriate.
  - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

#### Internal Audit Plan 2020/21

- 2.7 The draft 2020/21 audit plans are included at Appendix A and B and contain a high-level proposed outline scope for each audit; Appendix C details the agreed start months. The number of days purchased in 2020/21 remains unchanged and totals 402 days across the Watford Borough Council, Shared Services and Three Rivers District Council audit plans. The table below shows the estimated allocation of the total annual number of purchased audit days for the year for the Watford and Shared Services Plans.

	<b>WBC</b>	<b>Shared Services</b>	<b>Total</b>
Key Financial Systems	0	80	80
Operational audits	68	10	78
Procurement / Contract Management	18	0	18
Shared Learning / Joint Reviews	5	0	5
Counter Fraud	0	0	0
Risk & Governance	0	0	0
Ad-Hoc Advice	2	0	2
IT Audits	0	27	27
To Be Allocated	0	0	0
Follow Ups	10	0	10
Strategic Support*	38	0	38
2019/20 Projects Requiring Completion	5	5	10

<b>Total audit days 2020/21</b>	<b>146</b>	<b>122</b>	<b>268</b>
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\* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2021/22.

- 2.8 Members will note the inclusion of a provision for the completion of projects that relate to 2019/20. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.9 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

### 3. Performance Management

#### Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Watford Borough 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. Progress against the agreed plan for 2020/21 and any proposed changes will be reported to this Committee four times in 2020/21. The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

#### Performance Indicators

- 3.2 Annual performance indicators were first approved at the SIAS Board in September 2011 and are reviewed annually. Details of the 2020/21 targets are shown below. Actual performance against target will be included in the update reports to this Committee.

<b>Performance Indicator</b>	<b>Performance Target</b>
<b>1. Planned Days</b> percentage of actual billable days against planned	95%

chargeable days completed.	
<b>2. Planned Projects</b> percentage of actual completed projects to draft report stage against planned completed projects. Note: to be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%
<b>3. Client Satisfaction</b> percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%
<b>5. Annual Plan</b>	Presented to the March meeting of each Audit Committee.
<b>6. Head of Assurance's Annual Report</b>	Presented to the first meeting of each Audit Committee in the new financial year.