Watford Borough Council
Audit Committee Progress Report
26 June 2013

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 31 May 2013
- Agree removal of implemented recommendations (Appendices B)

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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 2013/14 as at 31 May 2013.
b) Progress on finalisation of the 2012/13 audit plan as at 31 May 2013.
c) Implementation status of all outstanding previously agreed audit recommendations from 2010/11 onwards.
d) An update on performance management information as at 31 May 2013.

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 Internal audit service has been transferred to the Shared Internal Audit Service (SIAS) partnership since April 2013. The 2013/14 draft annual audit plan was presented to the Audit Committee by the Head of Assurance (SIAS) and approved by the Audit Committee on 13 March 2013.

1.4 The Audit Committee will receive quarterly updates against the annual audit plan from SIAS, and this is the first such report. Previously the Committee received progress reports from the in-house audit team, the last of which was brought to this Committee on 13 March 2013.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 31 May 2013, 98.3% of the audits from the 2012/13 revised audit plan have been completed. The annual report also on the Audit Committee agenda of 26 June provides a full status update on each individual project within the audit plan.

2.2 The following 2012-13 reports have been finalised in the period between 13 March 2013 to 3 June 2013:

Audit Title	**Date of Issue**	**Assurance Level**	**Number and Priority of Recommendations**
Data Protection	18.03.13	Satisfactory	Five recommendations, medium priority.
Carbon Management	03.05.13	Substantial	No recommendations made.
Accounts Payable	07.05.13	Substantial	Two recommendations, medium priority.
Partnerships	15.05.13	Satisfactory	Five recommendations, medium priority.
Risk Management	17.05.13	Satisfactory	Three recommendations, medium priority.
Sundry Debtors	20.05.13	Satisfactory	Two recommendations, one high and one medium priority
FMS Reconciliations	21.0513	Satisfactory	Five recommendations one high, three medium and one low priority.

NNDR	24.05.13	Satisfactory	Four recommendations, two high and two medium priority.
Council Tax	24.05.13	Satisfactory	Four recommendations, two high and two medium priority.

2.3 Work on the 2013/14 audit plan is underway, at an early stage. Appendix A sets out the status of each item within the 2013/14 plan.

Recommendations

2.4 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

2.5 The table below summarises progress in implementation of all outstanding internal audit recommendations, with full detail given in appendix B**:**

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time	Percentage implemented %
2010/11	213	207	0	6	97%
2011/12	114	108	5	1	94.7%
2012/13	42	9	32	1	21.4%

2.6 Many of the IT audit recommendations dating back to 2010 are being actioned by the ICT Client Manager as part of the transfer of IT to the new provider. Extended time for implementation has been requested for 6 of the recommendations by ICT, one by the Finance Service and one by Environmental Services.

Proposed Audit Plan Amendments

2.7 At the 13 March Audit Committee, members commented on the risk assessment approach and those audits deferred to future years. To date, the focus of the team has been in completing work from the 12/13 plan and no discussion has yet taken place with regards to re-assessing the priorities for the current year plan. This will be kept under review at audit liaison meetings and any changes reported back to this Committee.

Performance against targets

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2013. Actual performance for Watford Borough Council against the targets that can be monitored for 2013/14 is shown the table below.

Performance Indicator	**Annual Target**	**Profiled Target to 31 May 2013**	**Actual to 31 May 2013**
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	17%	13.2%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 12/13 completion and 'ongoing' pieces)	95%	17%	8.8%

3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	No 13/14 reports issued
4. Number of High Priority Audit Recommendations agreed	95%	100%	No 13/14 high priority recommendations yet made

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2013-14 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 INTERNAL AUDIT PLAN 2013/14 - UPDATE ON POSITION AS AT 31 MAY

2013-14 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)	Not yet assessed				15	No		Planned for Q3 / Q4
Council Tax (shared)	Not yet assessed				12	No		Planned for Q3 / Q4
Creditors (shared)	Not yet assessed				11	No		Planned for Q3 / Q4
Debtors (shared)	Not yet assessed				11	No		Planned for Q3 / Q4
Main Accounting (shared)	Not yet assessed				19	No		Planned for Q3 / Q4
NNDR (shared)	Not yet assessed				12	No		Planned for Q3 / Q4
Payroll (shared)	Not yet assessed				14	No		Planned for Q3 / Q4
Treasury Management	Not yet assessed				5	No		Quarter TBC
Budgetary Control	Not yet assessed				8	No		Quarter TBC

APPENDIX A INTERNAL AUDIT PLAN 2013/14 - UPDATE ON POSITION AS AT 31 MAY

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Asset Management	Not yet assessed				8	No		Quarter TBC
Operational Audits								
Recruitment and vetting – follow-up (Shared)	Not yet assessed				5	Yes	1	Planned for Q1
Health & Safety (Shared)	Not yet assessed				10	Yes		Planned for Q1
Project and change management	Not yet assessed				10	Yes		Planned for Q2
Housing re-design –advisory support	Not yet assessed				10	Yes	1	Planned for Q1
Review of Corporate Spatial Data	Not yet entered				10	Yes	1	Planned for Q1
Health Campus	Not yet entered				10	No		Planned for Q2
Commercial rent	Not yet assessed				6	Yes		Planned for Q1
Data Protection –follow-up	Not yet assessed				6	Yes		Planned for Q3

APPENDIX A INTERNAL AUDIT PLAN 2013/14 - UPDATE ON POSITION AS AT 31 MAY

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Procurement								
New IT contract management review (shared)	Not yet assessed				10	No		January 2014
Procurement and contract management baseline review	Not yet assessed				10	Yes		Planned for Q3
Outsourcing arrangements	Not yet assessed				10	No		Quarter TBC
Counter Fraud								
Review of counter fraud arrangements Shared Service Benefit Fraud Team (shared)	Not yet assessed				5	No		Quarter TBC
Anti-Fraud and Corruption Baseline Review	Not yet assessed				10	Yes		Planned for Q1
Risk Management and Governance								
Risk management	Not yet assessed				5	No		Quarter TBC
Corporate governance	Not yet assessed				5	No		Quarter TBC

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
IT Audits								
IT vulnerabilities- extended follow-up (shared)	Not yet assessed				10	No		August 2013
Cyber Risk (Shared)	Not yet assessed				10	No		October 2013
SIAS Joint Work								
New ways working seminar (Shared)	Not yet assessed				1			Quarter TBC
Comparative review of budget setting and monitoring arrangements (Shared)	Not yet assessed				1			Quarter TBC
Herts waste partnership	Not yet assessed				1			Quarter TBC
Contingency								
Investigation	Not yet entered				2		4	In progress
Boundary way insulation project	Not yet entered				0	Yes	1	Complete

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Strategic Support								
Head of Internal Audit Opinion 2012/13	Satisfactory				2		2	Complete
Introduction to Public Sector Internal Audit Standards	N/A				1		1	Complete
Audit committee	N/A				8		1	Ongoing
Monitoring & Client Liaison	N/A				5		1	Ongoing
2014/15 Audit Planning	N/A				3			Ongoing
SIAS Development	N/A				3			Ongoing
Follow-up recommendations	N/A				10		1	Ongoing
Completion of 2012-13 audits								
Time required to complete work commenced in 2012/13	Various				24		28	Two pieces of 12/13 work remain at draft report stage
WBC TOTAL					**148**		**13**	
SHARED SERVICES TOTAL					**170**		**29**	
COMBINED TOTAL					**318**		**42**	

APPENDIX A INTERNAL AUDIT PLAN 2013/14 - UPDATE ON POSITION AS AT 31 MAY

Key:
H = High Priority recommendation
M= Medium Priority recommendation
MA= Merits Attention Priority recommendation
N/A = Not Applicable

Note:
For purposes of performance indicator on planned projects:
Number of deliverables = 34 pieces (does not include ongoing pieces or completion of 12/13 activity)