



Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
25 July 2016

Recommendation

Members are recommended to note the
Internal Audit Progress Report and approve
amendments to the Audit Plan as at
11 July 2016

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1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- a) the progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2016/17 Internal Audit Plan as at 11 July 2016,
 - b) the findings for the period 2 March 2016 to 11 July 2016,
 - c) the details of changes to the planned start dates of audits from the approved 2016/17 Audit Plan,
 - d) the proposed amendments required to the approved 2016/17 Audit Plan, and
 - e) an update on performance management information as at 11 July 2016.

Background

- 1.2 Internal Audit's Annual Plan for 2016/17 was approved by the Audit Committee at its meeting on 21 March 2016.
- 1.3 The Audit Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 21 March 2016.
- 1.4 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 11 July 2016, 22% of the 2016/17 Audit Plan days had been delivered (calculation excludes contingency). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 The following reports and assignments have been issued or completed in the period since the previous Audit Committee on 21 March 2016:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
2015/16 Audit Plan – Audits Finalised Since 2 March 2016			
Debtors (CRSA)	18 March 2016	Substantial	2 Medium 1 Merits Attention
Creditors (CRSA)	18 March 2016	Substantial	1 Medium 4 Merits Attention
Payroll (CRSA)	10 May 2016	Substantial	2 Merits Attention
Housing Benefits	31 March 2016	Substantial	2 Medium 4 Merits Attention
Customer Services	27 April 2016	Substantial	1 Merits Attention
Grants to External Bodies	23 March 2016	Substantial	1 Merits Attention
Safeguarding	27 April 2016	Substantial	1 Medium 2 Merits Attention
Corporate Governance + Risk Management	18 March 2016	Substantial	2 Medium
Cyber Security	29 April 2016	Substantial	2 Medium 6 Merits Attention
Application (Software) Security	10 May 2016	Substantial	1 Medium 3 Merits Attention
Facilities Management	11 July 2016	Substantial	3 Medium 3 Merits Attention
2016/17 Audit Plan – Audits Finalised Since 1 April 2016			
Streetscene Client	20 June 2016	Substantial	1 Medium 2 Merits Attention

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Disabled Facilities Grants	11 July 2016	Substantial	2 Merits Attention

2.3 A summary is provided below of the recommendations made within the above reviews.

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Debtors	Access Rights (Medium Priority) - access rights to the system should be reviewed annually, in particular those with “super user” access levels.	Agreed – July 2016
	Write-off’s / Separation of duties (Medium Priority) - the delegation levels for writing off debts provided to the Accounting Services Manager (who is also responsible for aspects of recovery action) should be revised to ensure separation of duties.	Agreed – July 2016
Creditors	Access Rights (Medium Priority) - access rights should be reviewed annually and the current allocation of “super user” access should be limited.	Agreed – July 2016
	Exception Reports (Merits Attention Priority) – exception reports to identify high value payments and supplier bank account changes should be introduced as part of the pre-payment run process. Management considered that automated workflow processes managed this risk, but agreed to review the segregation of duties in relation to supplier bank account amendments.	Alternative proposed action to be completed by July 2016
	Raising orders after invoices being processed or paid (Merits Attention Priority) – officers are reminded of the need to raise orders in advance of purchases and management should implement monitoring to ensure that this is happening in practice.	Agreed – May 2016
	Duplicate Payments (Merits Attention Priority) – duplicate payment reports should be run on a periodic basis. Management considered that appropriate compensating controls exist, but agreed to review the options to further reduce and respond to this risk.	Alternative proposed action to be completed by July 2016

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Payroll	<p>System Super user rights (Merits Attention Priority) - the current allocation of “Super user” access to the Resource Link system be reviewed.</p> <p>Pay run exception reports (Merits Attention Priority) – management should produce additional exception reports relating to the areas of high value additional payments and net pay exceptions, with these being reviewed as part of the pay-run process.</p>	<p>Agreed - July 2016</p> <p>Agreed – July 2016</p>
Housing Benefits	<p>Security of personal information - paper records (Medium Priority) - access to the room holding paper records should be restricted to those persons who require access for their role and have undergone the required security and conflict checks.</p> <p>Access controls – permissions granted to business rates officer (Medium Priority) – one instance was identified where the permission granted was not appropriate to the role. Since the audit all the necessary checks have been completed for the exception identified and therefore no further action is required.</p> <p>Policy documents (Merits Attention Priority) - policy and procedure documents should be reviewed at least annually.</p> <p>Electronic record keeping (Merits Attention Priority) - documentation should be scanned when it is received or within an agreed timeframe after receipt. Management have indicated that the timeliness of scanning and indexing benefits information received by post will form part of the monthly contract reporting.</p> <p>Access controls - prompt removal of system access (Merits Attention Priority) – an instance was identified during the audit where an officer had not been removed on a timely basis. Management have implemented arrangements to prevent a recurrence.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Agreed - February 2016</p> <p>Implemented</p>
Customer Services	<p>Contract Management – KPIs (Merits Attention Priority) – existing KPI reports should include an indication of the direction of travel over a period of time. The range of KPI’s reported should also be broadened.</p>	<p>Agreed - October 2016</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Grants to External Bodies	Grants are spent in accordance with original expectations and outcomes are reported internally and externally (Merits Attention Priority) - The grant application matrix provided to Grant Board members should include, for previous applicants, whether key objectives were achieved and that previous grant conditions had been complied with.	Agreed – July 2016
Safeguarding	<p>Safeguarding Action Plan (Merits Attention Priority) – for actions ‘rolled-over’ into 2016/17, a revised target date and detail of the original action should be included.</p> <p>Staff and Member training (Medium Priority) - Existing and planned training provision should be reviewed against an assessment of training needed.</p> <p>Reporting / referral of Safeguarding and CSE concerns to the relevant agencies (Merits Attention Priority) - WHBC should seek a mechanism by which District and Borough Councils receive a positive confirmation that concerns reported to other Agencies have been formally acknowledged.</p>	<p>Agreed - May 2016</p> <p>Agreed – March 2017</p> <p>Agreed - June 2016</p>
Corporate Governance and Risk Management	<p>Compliance with the requirements of the Local Government Transparency Code 2015 (Medium Priority) - the Council’s website should be reviewed to demonstrate more clearly compliance with the Transparency code, in particular including appropriate explanations where information is not published.</p> <p>Risk Reporting (Medium Priority) – The current arrangements and timescales for risk reporting are reviewed to enable periodic updates to be provided to the Audit Committee.</p>	<p>Agreed – June 2016.</p> <p>Agreed - Ongoing</p>
Cyber Security	<p>Security Strategy (Medium Priority) - As part of the planned review of the ICT strategy more explicit reference should be provided on the area of security, including specific reference to cyber security.</p> <p>Security Strategy (Merits Attention Priority) - ICT policies are fully reviewed to confirm that their content is still adequate, complete and up to date in all respects, being reviewed on an annual basis in future.</p> <p>Security Strategy (Merits Attention Priority) - the</p>	<p>Agreed – March 2017</p> <p>Agreed – December 2016</p> <p>Agreed –</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	<p>Council's intranet should be reviewed to ensure that copies of all current ICT policies are included in the Employee Information area.</p> <p>Security Governance and Control (Merits Attention Priority) - completion of the Learning Pool ICT Security on-line training module should be made mandatory for all staff on an annual basis. Management agreed to discuss the potential of incorporating the training requirement into the induction checklist for new staff</p> <p>Threat and Vulnerability Management (Medium and Merits Attention Priorities) - copies of the current Steria Sopra ISMS, Security Management Plan and the results of the last security tests are obtained and reviewed against the contractual expectations. In addition responsibilities for the network firewalls are clarified and formally confirmed with Alternative Networks and Sopra Steria.</p>	<p>December 2016</p> <p>Agreed – December 2016</p> <p>Agreed - December 2016</p>
<p>Application Security</p>	<p>IT security roles and responsibilities of service providers have been formally defined, documented, and communicated (Medium Priority) - formal contractual arrangements for the Orchard and Lifespan applications are clarified to confirm the security responsibilities for each supplier.</p> <p>Application design/architecture is documented and implemented based on appropriate security controls (Merits Attention Priority) - testing requirements are added to the Change Management Process document and that includes the need for formal consideration of security implications in respect of the live environment.</p>	<p>Agreed – December 2016</p> <p>Agreed – September 2016</p>
<p>Streetscene Client</p>	<p>Contract Administration and Monitoring Procedures (Merits Attention Priority) - procedures should be drafted to cover mechanisms for processing contract payments and production of performance monitoring reports.</p> <p>Contract Administration – Annual Price Variation (Medium Priority) – Information to allow verification checks on the figures to support the annual price variation that is not currently available should be requested.</p>	<p>Agreed – June 2017</p> <p>Agreed – May 2017</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	<p>Senior Management and Member Oversight (Merits Attention Priority) - consideration of the generation of Lagan reports at prescribed intervals for other complaint types, in addition to missed bins, to enable Senior Management oversight of the whole contract.</p>	<p>Agreed – December 2016</p>
<p>Disabled Facilities Grants</p>	<p>Procedure notes and guidance (Merits Attention Priority) – Procedures are updated to record the current contractor details and version control is added to the document.</p> <p>Confirmation from Land Charges (Merits Attention Priority) - A system should be put in place to monitor instructions sent to legal to confirm that the acknowledgement of processing has been returned.</p>	<p>Agreed – July 2016</p> <p>Agreed – July 2016</p>
<p>Facilities Management</p>	<p>Statutory Checks – Planned Maintenance (Medium Priority) - The current annual maintenance schedule should be reviewed to ensure that it clearly indicates the planned frequency of the monitoring checks detailed within the audit finding.</p> <p>Statutory Checks – Fire Safety Alarm tests (Medium Priority) - the Council adhere to the British Standard requirement for weekly break glass call point tests. The alarm test form is completed in full for all checks performed.</p> <p>Statutory Checks – Fire Safety Fire Drills (Medium Priority) - records to support fire drills record the date, time taken, issues arising, evidence of a debrief and details of (and reference to the progression of) any improvement or training actions required.</p> <p>Campus West Access Controls (Merits Attention Priority) - periodic spot checks are undertaken to confirm that all CWE leavers are notified to Facilities Management.</p> <p>Security Alarms (Merits Attention Priority) - Management confirm with the Insurance team as to whether existing arrangements are sufficient to meet insurance requirements. Where this is not the case sufficient interim controls should be agreed with the insurers until a protocol for “out of hours” alarms is agreed.</p>	<p>Agreed – July 2016</p> <p>Agreed – August 2016</p> <p>Agreed – Date to be confirmed</p> <p>Implemented</p> <p>Agreed – October 2016</p>

- 2.4 The above table excludes audit recommendations where alternative existing controls were highlighted by management to address issues raised at the draft report stage of the audit (these issues and the management comments remaining in the related final report for completeness).
- 2.5 In respect of the 2016/17 plan the audit of Enforcement is currently in fieldwork, with planning commencing on a further four audits in line with the schedule of audit start dates detailed within Appendix B.

Changes to Projected Audit Start Dates

- 2.6 To help the Committee assess the current situation in terms of progress against the projects in the 2016/17 Audit Plan, Appendix B of this report provides an analysis of agreed start dates. 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.
- 2.7 As this is the first report of the 2016/17 financial year no proposed changes to audit start dates are reported.

Proposed Audit Plan Amendments

- 2.8 There are two proposed audit plan amendments within this reporting period.

Hatfield 2030 Project - Following a request received by the Principal Governance Officer, SIAS were asked to provide assurance over the accounting arrangements for the Hatfield 2030 project fund and accounts, where WHBC is the allocated host authority for administering the project finances. It is proposed that a total allocation of three days is assigned for this review from the contingency budget. This work has now been completed, with a draft report issued to management.

Facilities Management - It is proposed that two days is allocated from contingency to allow additional compliance testing to be undertaken, on the application of controls in practice, at the request of the Council's Head of Resources.

- 2.9 The above changes leave the Council with no remaining contingency days within the 2016/17 plan, however the plan remains sufficiently flexible to accommodate any emerging risks or issues with any changes in this respect being brought to future committee's for approval.

High Priority Recommendations

- 2.10 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.11 The Council’s Principal Governance Officer is responsible for following up the implementation status of the internal audit recommendations. No new high priority recommendations have been made in 2016/17.

Performance Management

- 2.12 Performance indicators and associated targets are approved by the SIAS Board on an annual basis. The actual performance for Welwyn Hatfield against the targets that are monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 11 July 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	24%	22%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	17%	13% (4 out of 23)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100% (3 questionnaires received relating to 15/16 audits)
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/a – No High Priority Recs Currently Made

2016/17 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Key Financial Systems – 70 days								
Main Accounting System					6	SIAS		Allocated
Debtors					8	SIAS		Allocated
Creditors					8	SIAS		Allocated
Treasury Management - Investments - CRSA Year 2					8	SIAS		Allocated
Payroll					10	SIAS		Allocated
Council Tax					10	SIAS		Allocated
NDR					10	SIAS		Allocated
Housing Benefits					10	SIAS		Allocated
Operational Audits – 93 days								
CCTV					10	BDO		Allocated
Campus West					10	SIAS	1	In Planning
Enforcement					10	SIAS	7.5	In Fieldwork
Business Continuity					10	BDO		
Disabled Facilities Grant	Substantial	0	0	2	10	SIAS	10	Final Report Issued
Streetscene Client	Substantial	0	1	2	10	SIAS	10	Final Report Issued

APPENDIX A PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 11 JULY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Land Charges					10	SIAS		Allocated
Asset Management					10	BDO		Allocated
Safeguarding Part 2					10	SIAS		Allocated
Hatfield 2030 Project					3	SIAS	3	Draft Report Issued
Procurement – 5 days								
Procurement					5	SIAS	0.5	In Planning
Local Reviews – 5 days								
Audit recommendations follow up					5	SIAS	0.5	As required
Shared Learning – 5 days								
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	0.5	Through Year
Audit Committee Workshop					1	SIAS		Allocated
Joint Review – topic to be confirmed					5	SIAS		Allocated
Risk Management and Governance – 10 days								
Risk Management					5	SIAS		Allocated
Corporate Governance					5	SIAS		Allocated
Ad Hoc Advice – 5 days								
Ad Hoc Advice					5	SIAS	0.5	As and when required

APPENDIX A PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 11 JULY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
IT Audits – 20 days								
Data Security					10	SIAS		Allocated
IT Audit 2 – To be confirmed					10	SIAS		Allocated
Strategic Support and Contingency – 39 days								
Head of Internal Audit Opinion 15/16	Substantial	0	0	0	5	SIAS	5	Complete
Audit Committee					8	SIAS	1.5	Quarterly
External Audit Liaison					4	SIAS	0.5	On-going
Monitoring & Client Liaison					10	SIAS	4	On-going
SIAS Development					5	SIAS	5	On-going
2016/17 Audit Planning					5	SIAS		Allocated
Contingency – 5 days								
Contingency					0	SIAS		
15/16 Projects requiring completion- 5 days								
	N/a				5		5	Complete
Facilities Management	Substantial	0	3	3	2	SIAS	2	Final Report Issued
WHBC TOTAL		0	4	7	260		56.5	

APPENDIX B 2016/17 AUDIT PLAN PROJECTED START DATES

Apr 16	May 16	June 16	July 16	Aug 16	Sept 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17
Enforcement – In Fieldwork		Procurement – In planning	Council Tax- In planning	Treasury Management	Main Accounting	Payroll	Land Charges	Housing Benefits	Asset Management	Safeguarding Part 2	
Disabled Facilities Grant – Final Report Issued			Non Domestic Rates - In planning		Debtors	Business Continuity	Risk Mangmt	Second IT audit	Corporate Governance		
Streetscene Client – Final Report Issued			CCTV- In planning		Creditors	Data Security					
Hatfield 2030 – Draft Report Issued					Campus West						

Note: The above schedule is considered as the agreed plan for the audit year. Changes to planned dates within this progress reporting period are highlighted in grey and further details are provided within section 2.6 of the progress report.

APPENDIX C – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITIES

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.