Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
16 January 2017

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve amendments to the Audit Plan as at 16 December 2016

Contents

1 Introduction and Background

<u>Purpose of Report</u>

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 16 December 2016,
b) the findings for the period 26 September 2016 to 16 December 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 16 December 2016.

<u>Background</u>

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 17 October 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 16 December 2016, 68% 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 17 October 2016:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
2016/17 Audit Plan			
Non Domestic Rates	16 November 2016	Full	None
Procurement	13 December 2016	Moderate	1 High 1 Medium
Payroll	14 December 2016	Substantial	2 Medium 1 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
Procurement	**Use of INTEND (e-procurement system) (High Priority)** Total expenditure by supplier should be reviewed to ensure that key documents relating to all material Council contracts are stored on the Council's e-procurement system, INTEND, in line with the requirements of the Constitution. In addition, staff should be reminded of the need to use the e-procurement system. **Adherence to Contracting Rules (Medium Priority)** All staff in the Council (including CW Entertainment) should be reminded of the need to comply with the Council's Constitution and seek approval from the Procurement Manager to use a specific supplier.	**Annual refresher training to be provided by the Procurement Manager.** **Heads of Service to ensure compliance with the Constitution.**

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	In addition, Officers should be reminded that it is the total value of the purchases in year that needs to be considered when calculating the potential contract value and therefore identifying which procurement route to use.	
Payroll	**Payroll Validation Checks (Medium Priority)** Sample checks (for example; starters and additional payments) should be undertaken on the accuracy of payroll input as part of the payroll processing validation process. Such checks should be appropriately evidenced to provide an effective audit trail. In addition, exception reports should be used to ensure the accuracy of the payroll, for example; to confirm the accuracy of input such as the rate of superannuation payments.	**Agreed - 31 January 2017**
	Reconciliations (Medium Priority) Timely reconciliations should be re-introduced as a matter of urgency. Reconciliations should always be checked and signed off by a senior member of staff.	**Agreed – 31 March 2017**
	Exception reports We recommend that the previous year's recommendation to re-introduce exception reports is implemented in the following areas: a) Additional payments made to employees in excess of an agreed value; b) Net pay exception reports; c) Payments that are above a set threshold (e.g. £5,000).	**Agreed – 31 January 2017**

2.4 Since the previous Committee, the topics for the two shared reviews have been agreed and approved by the SIAS Board: these being Local Authority Trading and PREVENT. Both reviews will be undertaken in the final quarter of the financial year.

2.5 The status of other audits in the agreed 2016/17 plan is outlined in Appendix A to this report.

2.6   Changes to Projected Audit Start Dates

2.7   To help the Committee assess current progress in delivering the 2016/17 Audit Plan, Appendix B details agreed start dates. These dates have been agreed with management and resources allocated accordingly. This schedule is designed to facilitate smoother delivery of the audit plan through the year.

2.8   The audit of Treasury Management has been postponed from October to January to facilitate the delivery of key financial systems to meet the end of January deadline set by external audit.

2.9   The commencement of the Risk Management audit has been slightly delayed from the originally agreed November start date to ensure an expanded scope effectively seeks to provide assurance around the risks associated with the reintegration of the housing trust.

Proposed Audit Plan Amendments

2.10   As part of the 2016/17 plan, 10 days were allocated to a second IT review, the scope of which, it was agreed, would be identified in year. However, given the coverage of IT audit in previous years, it has been agreed with the Head of Resources that this review should be removed from the plan and the planned days returned to contingency.

2.11   It is proposed that five of the days returned to contingency are reallocated to the corporate governance audit to ensure that the governance risks associated with the reintegration of the housing trust into the Council are adequately covered in the audit scope.

High Priority Recommendations

2.11   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.

2.12   The Council's Principal Governance Officer is responsible for following up the implementation status of the internal audit recommendations. One new high priority recommendation was made in the Procurement Audit as referenced in paragraph 2.3 above.

Performance Management

2.13   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 16 December 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	65%	68%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	50%	44% (10 out of 23)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%*
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (One high priority recommendation raised to date.)

* Client Satisfaction score based on 5 questionnaires received relating to 16/17 audits

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	4.5	In Fieldwork
Debtors					8	SIAS	7	Quality Review
Creditors					8	SIAS	7	Quality Review
Treasury Management - Investments - CRSA Year 2					8	SIAS	0.5	In planning
Payroll	Substantial	0	2	1	10	SIAS	10	Final Report Issued
Council Tax					10	SIAS	9	Quality Review
NDR	Full	0	0	0	10	SIAS	10	Final Report issued
Housing Benefits					10	SIAS	8.5	In Fieldwork
Operational Audits – 95 days								
CCTV					10	BDO	9	Draft Report Issued
Campus West					10	SIAS	9	Quality Review
Enforcement	Substantial	0	0	0	10	SIAS	10	Final Report Issued
Business Continuity					10	BDO	9	Draft Report Issued
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
Land Charges					10	SIAS	8.5	Quality Review

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Asset Management					10	BDO	0	Allocated
Safeguarding					10	SIAS	0.5	In Planning
Hatfield 2030 Project	N/A	0	1	1	3	SIAS	3	Final Report Issued
DFG Capital Grant Certification	N/A	0	0	0	2	SIAS	2	Final Report Issued
Procurement – 5 days								
Procurement	Moderate	1	1	0	5	SIAS	5	Final Report Issued
Local Reviews – 5 days								
Audit recommendations follow up					5	SIAS	3.5	As required
Shared Learning – 8 days								
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	1.5	Through Year
Audit Committee Workshop					1	SIAS	0	Allocated
Joint Review – Local Trading Authority					2.5	SIAS	0.5	Terms of Reference issued
Joint Review - PREVENT					2.5	SIAS	0.5	Terms of Reference issued
Risk Management and Governance – 15 days								
Risk Management					5	SIAS	0	Allocated
Corporate Governance					10	SIAS	0	Allocated
Ad Hoc Advice – 5 days								

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Ad Hoc Advice					3	SIAS	2	As and when required
IT Audits – 10 days								
Data Security					10	SIAS	0.5	In planning
IT Audit 2 – To be confirmed					0	SIAS	0	Cancelled
Strategic Support and Contingency – 37 days								
Head of Internal Audit Opinion 15/16					5	SIAS	5	Complete
Audit Committee					8	SIAS	6	Quarterly
External Audit Liaison					4	SIAS	3	On-going
Monitoring & Client Liaison					10	SIAS	7	On-going
SIAS Development					5	SIAS	3	On-going
2016/17 Audit Planning					5	SIAS	0	Allocated
Contingency – 5 days								
Contingency					5	SIAS	0	
15/16 Projects requiring completion- 5 days					5		5	
Facilities Management		0	3	3	2	SIAS	2	Final Report Issued
WHBC TOTAL		**1**	**8**	**9**	**260**		**172**	

APPENDIX B   2016/17 AUDIT PLAN PROJECTED START DATES

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

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.