Welwyn Hatfield Borough Council Audit Committee

2017/18 Internal Audit Plan Report

3 April 2017

Recommendation

Members are recommended to approve the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2017/18

Contents

Appendices

1.   Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with the proposed Welwyn Hatfield Borough Council (the Council) Internal Audit Plan for 2017/18.

<u>Background</u>

1.2   The Internal Audit Plan sets 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's annual report.

1.3   The Shared Internal Audit Service (SIAS) Audit Charter, which was presented to the July 2016 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 next meeting of the Audit Committee in July 2017.

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 SIAS complies with this requirement.

2.   Audit Planning Process

<u>Planning Principles</u>

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. This approach includes 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 governance work.

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 adopts a standard approach and methodology across all SIAS partners. This methodology 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 assesses the risk maturity of the Council and based on this assessment, determines the extent to which information contained within the Council's risk register 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 2017/18 has been characterised by:

a) Detailed discussions initially held with the Head of Resources which identified a long list of potential audits and a high level outline scope.

b) Subsequent discussions, facilitated by the Principal Governance Officer, with senior managers and other key officers within the Council which incorporated the following to assist in the prioritisation of projects.

Risk Assessment

Agreement of the level of risk associated with an identified auditable area.

Other sources of Assurance

Confirmation by managers as to whether assurance in the auditable area was being provided by 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' assessment of how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers' identification of when an audit should be undertaken to add most value.

c) Proposed plans are based on the information obtained from the planning meetings. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. 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.

d) The proposed 2017/18 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

e) The views of the Council's external auditor were obtained as part of the planning process to discuss the approach to key financial systems audit work of both parties.

2.4 This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives.

The Planning Context

2.5 The context within which local authorities provide their services remains challenging:

- Austere public finances will last well into the next decade, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead

- Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens

- Technology, from use of mobile devices to the application of predictive analytics, is now key to service delivery and offers opportunities along with significant risks

- Major, national programmes in areas like welfare reform and business rate reform, increased reliance on partnership working and the vote to leave the EU, mean the environment in which councils operate is uncertain.

2.6 The resultant efficiency and transformation programmes, that councils are implementing and developing, are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.7 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 which covers the control environment in relation to new developments, using audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate

- Retain flexibility in the audit plan and ensure it remains current and relevant as the financial year progresses.

<u>Internal Audit Plan 2017/18</u>

2.8   The draft plan for 2017/18 is included at Appendix A and contains a high level proposed outline scope for each audit.   The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	WHBC Days
Key Financial Systems	95
Operational audits	120
Procurement	8
Joint Reviews	17
Risk & Governance	30
Ad-Hoc Advice	2
IT Audits	10
Counter Fraud	10
Contingency	5
Strategic Support*	40
2016/17 Projects Requiring Completion	13
Total audit days 2017/18	**350**

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2017/18.

2.9   A list of reserve audits, that will be considered as substitute for an agreed planned review that is cancelled in year, is presented at Appendix B. Proposed plan changes are brought before this Committee for approval.

2.10   Actual start dates will be agreed with management for all quarter 1 audits by the end of March 2017. This will help smooth delivery of the plan across the year, give regular assurance to the Committee, and raise awareness of the timing of the reviews to support partnership working between the Council and SIAS.

2.11   Members will note the inclusion of a provision for the completion of projects that relate to 2016/17. 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.

2.12   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 Welwyn Hatfield 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 2017/18 and any proposed changes will be reported to this Committee four times in the 2017/18 civic year.

3.2 The implementation of recommendations will be monitored by the Council's Principal Governance Officer with progress reported to this Committee on an annual basis.

 Performance Indicators

3.3 Annual performance indicators were approved by the SIAS Board. Details of the targets set for 2017/18 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. **Planned Days** percentage of actual billable days against planned chargeable days completed	95%
2. **Planned Projects** percentage of actual completed projects to draft report stage against planned completed projects	95%
3. **Client Satisfaction** percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%

4.	Number of High Priority Audit Recommendations agreed	95%
5.	External Auditor Satisfaction	External Auditors are able to rely upon the range and quality of SIAS' work
6.	Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
7.	Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new civic year.

Welwyn Hatfield Borough Council
Audit Committee
3 April 2017

Welwyn Hatfield Borough Council 2017/18 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Key Financial Systems			
General Ledger	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Systems access b) Setting up, deletion and monitoring of general ledger accounts in line with an established delegation of authority c) Processing of journals and virements, ensuring that only authorised transactions with appropriate justification documented can be entered d) Reconciliation of financial and non-financial systems where significant income is received e) Regular review and clearance of suspense accounts f) Reconciliation of the asset register to the accounting system g) Examination of preparedness for earlier closure of the accounts	12	
Debtors	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Policies and procedures b) Customer account creation and amendment c) Raising of debtor accounts d) Credit notes and refunds e) Accounting for income receive f) Write offs g) Debtors control account reconciliations	10	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Creditors	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Policies and procedures b) Raising of supplier accounts c) Ordering of goods, works and services d) Receipt of goods, works and services e) Payment of suppliers' invoices f) Credit notes and refunds g) Creditors control accounts	10	
Treasury Management	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Treasury Management Practices, Policies and Procedures b) Reporting Arrangements c) Service Continuity and Training d) Cash Flow Management e) Counter-Party Risk f) Transactions g) On-line Banking and Investments h) Capital and Interest Payments i) Reconciliations j) Performance Monitoring k) External Service Providers	8	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Council Tax	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Policies, Procedures and Legislation b) Amendment to Council Tax records c) Discounts and Exemptions d) In-year Billing e) Collection and Refunds f) Recovery, Enforcement and Write Offs g) Reconciliation between Council Tax system and General Ledger h) Performance monitoring and Performance i) System access	10	
NDR	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Policies, procedures and regulatory compliance b) Reconciliation between NDR system and Valuation lists c) Multiplier setting d) Voids and reliefs e) In-year Billing f) Collection and refunds g) Recovery, enforcement and write offs h) Reconciliation between NDR system and general ledger i) Performance monitoring and management j) System access	10	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Housing Benefits	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Policies, procedures and regulatory compliance b) Reconciliation between NDR system and Valuation lists c) Multiplier setting d) Voids and reliefs e) In-year Billing f) Collection and refunds g) Recovery, enforcement and write offs h) Reconciliation between NDR system and general ledger i) Performance monitoring and management j) System access	10	
Payroll	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Starters, leavers, transfers and amendments b) Payroll payments, including scheduling and BACS c) Pension contribution rates d) Payroll deductions and third party payments e) Reconciliations f) Management exception reports g) Systems access / security	10	
Housing Rents	Scope to be agreed when audit planned with client. Coverage to include some of the following: a) Housing Rents Procedures b) Annual Rent Setting c) Rent Receipts and Reconciliation d) Rent Refunds,	15	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	e) Recovery of Rent Arrears (both current and former tenancies) and Write Offs		
Operational Audits			
Safeguarding	To confirm that the newly implemented arrangements for safeguarding are effective in promoting the welfare of vulnerable children and protecting them from harm	10	
Partnerships	To examine significant partnerships and shared services to ensure all associated risks in respect of data sharing are adequately managed	10	
Community Engagement	To examine arrangements in place to involve the local community in the democratic decision-making process and confirm that they are effective in capturing residents views	10	
Records Management	To undertake a gap analysis to identify areas of non-compliance with the General Data Protection Regulations. Focus to be on paper documents.	10	
Equalities & Diversity	To confirm that the newly implemented arrangements for equalities and diversity are effective in achieving their intended outcomes.	10	
Private Sector Tenancy	To provide assurance in respect of private sector tenancy arrangements	10	
Tree Management	To confirm that there are effective systems and procedures in place to identified, record and inspect Council Trees, that a maintenance programme is in place and works are carried out and that cross-department working is effective.	10	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Reception (Three C's)	To provide assurance that the facilities provided by the Council effectively support customers interaction with the Council.	10	
Awarding of Increments	To confirm that the Council's policy is being appropriately applied	10	
Procurement Cards	To review the governance arrangements around the use of existing cards and the potential for extending usage and increasing limits.	10	
Asbestos	To confirm that the Council effectively manages its asbestos risk and has in place: an Asbestos Management Plan, an asbestos survey / register, a programme of inspection / reinspection, remediation andprotocols for management of contractors / building activities	10	
Open Data	To provide assurance that the Information Commissioner's Office guidance on publication schemes and access to data is being complied with.	10	
Procurement / Contracts / Project Management			
Recycling	An audit to confirm that the payments system operates effectively	8	
Joint Reviews			
Joint Review - 1	Topic to be agreed by SIAS Board	2.5	
Joint Review - 2	Topic to be agreed by SIAS Board	2.5	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Local Authority Serious and Organised Crime Checklist	The Serious and Organised Crime Agency (SOCA) has developed resources that allow local authority Internal Audit teams to scrutinise Council operations to establish where there may be vulnerabilities to serious and organised crime. It is proposed that the Checklist (covering Governance & Strategy, Operations and Insider Threat) is utilised to identify any weaknesses or vulnerabilities that exist at the Council. This information may later form the basis of more detailed audit work.	10	
Shared Learning			
Shared Learning Newsletters and Summary Themed Reports	Periodic briefings, newsletter and other forms of communication to share details of key emerging risks and best practice examples.	2	
Counter Fraud			
Anti Fraud Arrangements	To establish how effectively the Council identifies and manages its fraud risks	10	
Risk Management & Governance			
Corporate Governance	To confirm the effectiveness of the Council's governance arrangements and senior management processes following the transfer of the housing trust back to the Council. Scope of the audit to include the role and effectiveness of the Tenants' Panel.	20	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Standards & Ethics	To provide assurance that the coverage of all relevant Council policies is appropriate and that the policies are being effectively applied and monitored. Policies to be reviewed include: Whistleblowing, anti-fraud & corruption & anti-bribery, gifts & hospitality and declarations of interests.	10	
IT Audits			
IT Audit	Topic to be agreed in year.	10	
Ad hoc advice			
Ad hoc advice	Time allocated to provide ad hoc advice to management on issues relating to risk, control, governance and anti-fraud. It relates to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	2	
Contingency			
Contingency	To provide for adequate response to risks or issues emerging during 2016/17	5	
Strategic Support			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Head of Internal Audit Opininon 2016/17	To prepare and agree the Head of Internal Audit Opinion for 2016/17.	5	
Audit Committee	To provide services linked to the preparation and agreement and presentaiton of Audit Committee reports	8	
Client Liaison	Meetings with the Council's Audit Champion and other key officers.	8	
External Audit Liaison	Meetings with the Council's external auditor as required	1	
Plan Delivery Monitoring	Audit plan monitoring and reporting.	8	
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5	
2018/19 Audit Planning	Provision of services in relation to preparation and agreement of the 2018/19 Audit Plan.	5	
16/17 Projects requiring completion			
Data Security (16/17)	To deliver a highlevel data security assessment	10	
	Finalisation of outstanding work from 2016/17	3	

TOTAL AUDIT PLAN DAYS		**350**	

2017/18 RESERVE LIST	
Parking Services	An audit which focusses on following income through the system. Scope to include parking permits
Museum service	An establishment audit
Council Vehicles	An audit to provide assurance that appropriate policies exist, there are signed use declarations, licences checks, fuel checks, business considerations and tax implications, driver training, vehicle usage monitoring including condition surveys and adequate insurance arrangements
Community Centres	An audit of income control arrangements
Public Health	An audit to provide assurance that the Council has appropriate arrangements in place to meet its statutory obligations

Apr 17	May 17	Jun 17	July 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
Asbestos	Partnerships	Procurement Cards	Local Authority Serious and Organised Crime Checklist	Private Sector Tenancy	Tree Management	Housing Benefits	Creditors	IT audit 2	Community Engagement	Standards and Ethics	
Equalities and Diversity	Awarding of Increments	Corporate Governance		Open Data	Reception (3Cs)	General Ledger	Housing Rents	Payroll	Records Management	Recycling	
Data Security (16/17)	Anti-Fraud Arrangements	Safeguarding				Council Tax	Debtors	Treasury Management			
						NDR					

Dates of joint reviews to be agreed once topics identified