



Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
23 October 2017

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve amendments to the Audit Plan as at 29 September 2017.

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1. Introduction and Background

Purpose of Report

- 1.1 This report provide Members with details of the:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2017/18 as at 29 September 2017.
 - b) Findings for the period 3 July 2017 to 29 September 2017.
 - c) Details of changes to the planned start dates of audits from the approved 2017/18 Audit Plan.
 - d) Proposed amendments to the approved 2017/18 Council Audit Plan.
 - e) An update on performance management information as at 29 September 2017.

Background

- 1.2 The 2017/18 Annual Audit Plan was approved by the Audit Committee at its meeting on 3 April 2017.
- 1.3 The Audit Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving feedback on the delivery of the 2017/18 Internal Audit Plan.
- 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 provision 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 29 September 2017, 28% of the 2017/18 Audit Plan days had been delivered (the calculation excludes contingency). Appendix A provides a status update on each individual project within the audit plan.
- 2.2 The following final reports have been issued since our July progress report to the Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Procurement Cards	July 2017	Substantial	1 Medium 3 Merits Attention
Bus Grant	July 2017	N/A	N/A

- 2.3 A summary is provided below of the medium priority recommendation made in the Procurement Cards review.

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Procurement Cards	<p>Accounting Arrangements</p> <p>We recommended that:</p> <ul style="list-style-type: none"> • All cardholders are reminded that a proper VAT receipt needs to be obtained for the expenditure in order for the authority to be able to claim the VAT back. • VAT is only reclaimed where adequate documentation is held. • The Council makes a retrospective adjustment to the VAT claim to rectify the error identified. 	<p>End of July 2017</p> <p>End of August 2017</p> <p>End of March 2018</p>

Two projects remain from the 2016/17 audit plan: these relate to the SIAS partner joint reviews of PREVENT, which has now been issued as a draft report and Local Authority Trading Activities.

- 2.4 In respect of the 2017/18 plan, audits continue to be progressed in line with the agreed audit plan with two audits at draft report stage, four audits in fieldwork and a further five audits at planning stage. Details of the status of all audits in this year's plan can be found in Appendix A of this report.

Changes to Projected Audit Start Dates

- 2.5 To help the Committee assess progress in delivering the 2017/18 Audit Plan, Appendix B details agreed start dates. These dates were agreed with management and resources allocated accordingly. This schedule was designed to facilitate smoother delivery of the audit plan through the year.

Proposed Amendments to Audit Plan

- 2.6 Since the July meeting of this Committee, the following changes to the 2017/18 Audit Plan have been agreed with Officers of the Council:

Deleted Audits (days returned to contingency):

- Data Security (brought forward from 2016/17 Audit Plan) - 9.5 days
Elements of the scope of this audit have been incorporated into a General Data Protection Regulations audit (see below)
- Reception (Three C's) - 10 days

This audit was cancelled as insufficient progress has been made to date to allow the originally envisaged audit to be beneficially carried out

- Partnerships - 8 days
This audit was cancelled following preliminary work which identified that the Council did not share personal data with partners, the area around which it was originally agreed assurance would be provided. The Council did not require alternative assurance on its partnership arrangements to be provided.

Changes to Existing Audits (days taken from / returned to contingency):

- General Data Protection Regulations - budget increased from 10 to 12 days (see above)
- Safeguarding - budget increased from 10 to 11 days
This budget has been increased to accommodate the client's request for the audit to be undertaken in two parts with two reports produced.

New Audits (days allocated from contingency):

- Bus Services Operators Grant - 1.5 days
This work confirmed that the Council had complied with the terms and conditions of the grant.
- Street Scene Contract (Consultancy) - 5 days
It is anticipated that SIAS will provide continuous assurance as the Council progresses through the procurement process.

Revised start months:

- Corporate Governance – moved from June 2017 to January 2018 to allow new arrangements to embed
- Debtors and Creditors – moved from November 2017 to January 2018 to allow system developments to be implemented
- General Ledger – moved from October 2017 to January 2018 to allow system developments to be implemented

High Priority Recommendations

- 2.7 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.
- 2.8 The Council's Principal Governance Officer is responsible for following up the implementation status of internal audit recommendations. No new high priority recommendations have been made since the last committee.

Performance Management

- 2.9 Performance indicators and associated targets are approved by the SIAS Board on an annual basis. The actual performance for the Council against the targets that are monitored in year is set out in the table below.
- 2.10 As at 29 September 2017, actual performance for the Council against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 29 Sept 2017	Actual to 29 Sept 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	33%	28% (90 out of 327 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	28% (8 out of 29 planned projects)	17% (5 out of 29 planned projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	None returned
4. Number of High Priority Audit Recommendations agreed	100%	100%	There have been no high priority recommendations made.

- 2.11 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2017/18 Head of Assurance's Annual Report:
- **5. External Auditors' Satisfaction** – external audit has been able to draw assurance from the work of internal audit on relevant matters.
 - **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 financial year.

- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting taking the business for the new civic year.

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 SEPTEMBER 2017**2017/18 Welwyn Hatfield Borough Council 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								
General Ledger					12	SIAS	0.5	In Planning
Debtors					10	SIAS		Allocated
Creditors					10	SIAS		Allocated
Treasury Management					8	SIAS		Allocated
Council Tax					10	SIAS		Allocated
NDR					10	SIAS		Allocated
Housing Benefits					10	BDO	0.5	In Planning
Payroll					10	SIAS		Allocated
Housing Rents					15	SIAS		Allocated
Operational Audits								
Safeguarding					11	SIAS	3.5	Fieldwork
Partnerships					2	SIAS	2	Cancelled
Community Engagement					10	BDO		Allocated
Records Management					10	BDO		Allocated
Equalities & Diversity					10	SIAS	9	Quality Review
Private Sector Tenancy					10	SIAS	6	Fieldwork

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 SEPTEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Tree Management					10	SIAS	0.5	In Planning
Reception (Three C's)					0	SIAS	0	Cancelled
Awarding of Increments					10	SIAS	9.5	Draft Report Issued
Procurement Cards	Substantial	0	1	3	10	SIAS	10	Final Report Issued
Asbestos					10	SIAS	2	In Planning
Open Data					10	BDO	1	In Planning
Bus Grant	N/A	-	-	-	1.5	SIAS	1.5	Complete
Street Scene Contract – Consultancy					5	SIAS		Allocated
Procurement / Contracts / Project Management								
Recycling					8	SIAS		Allocated
Local Authority Serious and Organised Crime Checklist					10	SIAS	4	Fieldwork
Joint Reviews								
Joint Review - 1					2.5	NYA		NYA
Joint Review - 2					2.5	NYA		NYA
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	1	Through Year

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 SEPTEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Counter Fraud								
Anti-Fraud Arrangements					10	SIAS	9.5	Draft Report Issued
Risk Management and Governance								
Corporate Governance					20	SIAS	3	In planning
Standards and Ethics					10	SIAS		Allocated
IT Audits								
General Data Protection Regulations					12	BDO		Allocated
Adhoc advice								
Adhoc advice					2	SIAS	1	Through Year
Contingency								
Contingency					23			
Strategic Support								
Head of Internal Audit Opinion 2016/17	N/A				5	SIAS	5	Complete
Audit Committee	N/A				8	SIAS	4	Quarterly
Client Liaison	N/A				8	SIAS	4	Through Year
External Audit Liaison	N/A				1	SIAS	0.5	As required
Plan Delivery Monitoring	N/A				8	SIAS	4	Through Year

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 SEPTEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
SIAS Development	N/A				5	SIAS	5	Through Year
2018/19 Audit Planning	N/A				5	SIAS	0	Allocated
16/17 Projects requiring completion					2		2	
Data Security (2016/17)					0.5	BDO	0.5	Cancelled
Joint Review - Local Authority Trading					0.5	BDO		In fieldwork
Joint Review - PREVENT					0.5	BDO	0.5	Draft Report Issued
Welwyn Hatfield Borough Council Total		0	1	3	350		90	

Key

H = High Priority

M = Medium Priority

MA = Merits Attention

RECS = Recommendation

BDO = SIAS audit partner

N/A = not applicable

APPENDIX B 2017/18 AUDIT PLAN PROJECTED START DATES

Apr 17	May 17	Jun 17	July 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18
<p>Data Security (16/17)</p> <p>Cancelled</p>	<p>Partnerships SIAS</p> <p>Cancelled</p>	<p>Procurement Cards</p> <p>Final report issued</p>	<p>Local Authority Serious and Organised Crime Checklist</p> <p>In fieldwork</p>	<p>Private Sector Tenancy</p> <p>In fieldwork</p>	<p>Tree Mg</p> <p>In planning</p>	<p>Housing Benefits</p> <p>In planning</p>	<p>Creditors</p>	<p>IT audit</p>	<p>Community Engagement</p>	<p>Standards and Ethics</p>	<p>Street Scene Contact Consultancy</p>
<p>Equalities and Diversity</p>	<p>Awarding of Increments</p> <p>Draft report issued</p>	<p>Corporate Governance</p>		<p>Open Data</p> <p>ToR issued</p>	<p>Reception (3Cs)</p> <p>Cancelled</p>	<p>General Ledger</p>	<p>Housing Rents</p>	<p>Payroll</p>	<p>Records Management</p>	<p>Recycling</p>	
<p>Asbestos</p>	<p>Anti-Fraud Arrangements</p> <p>Draft report issued</p>	<p>Equalities and Diversity (rescheduled from April 17)</p> <p>In fieldwork</p>		<p>Asbestos (rescheduled from April 17)</p> <p>In planning</p>		<p>Council Tax</p>	<p>Debtors</p>	<p>Treasury Mgt</p>	<p>Corporate Governance (reschedule from June 17)</p>		
<p>Prevent (16/17)</p> <p>Draft report issued</p>	<p>Bus Grant Complete</p>	<p>Safeguarding</p>		<p>Safeguarding (rescheduled from June 17)</p> <p>In fieldwork</p>		<p>NDR</p>	<p>GDPR (IT audit and replacement for Data Security Audit)</p>		<p>Creditors (rescheduled from Nov 17)</p>		

APPENDIX B 2017/18 AUDIT PLAN PROJECTED START DATES

Local Authority Trading In fieldwork									General Ledger (rescheduled from Dec 17)		
									Debtors (rescheduled from Nov 17)		

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.