



Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
15 January 2018

Recommendation

Members are recommended to note the
Internal Audit Progress Report and approve
amendments to the Audit Plan as at 2
January 2018

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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 2 January 2018.
 - b) Findings for the period 29 September 2017 to 2 January 2018.
 - 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 2 January 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 third 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 2 January 2018, 58% 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 October progress report to the Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Awarding of Increments	October 2017	Substantial	2 Merits Attention
Private Sector Tenancy	October 2017	Substantial	N/A
DFG Grant Certification	October 2017	N/A	N/A

Joint Review Prevent (16/17)	November 2017	N/A	N/A
Safeguarding	December 2017	Substantial	3 Medium 1 Merits Attention
Anti-Fraud Arrangements	December 2017	Moderate	1 High 5 Medium 1 Merits Attention
Equality and Diversity	December 2017	Substantial	3 Merits Attention
Open Data	December 2017	Moderate	2 Medium 4 Merits Attention

2.3 A summary is provided below of the medium priority recommendations made in the Safeguarding and Anti-Fraud Arrangement reviews.

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Safeguarding	Safeguarding Case Log Spreadsheet We recommend that the Safeguarding Case Log spreadsheet is updated to ensure that the following information is recorded: <ul style="list-style-type: none"> • Date that the referral was received and the reported incident date; • Date that the referral was passed to an appropriate body; • Indicator confirming when / if acknowledgement was received from an appropriate body; • Outcomes from phone calls relating to referrals; or • Outcomes and dates of further involvement / action taken by WHBC. 	31 March 2018
	Following Up Incidents and Missing Information We recommend that management review the current practices for following up incidents and chasing up missing information, with a view to implementing a formal process.	31 March 2018
	Website – Accessibility of Safeguarding Information We recommend that the website is reviewed and updated to ensure that there is sufficient	31 December 2017

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	information in place for members of the public to raise concerns to the Council.	
Anti-Fraud Arrangements	Policy Statement in Relation to Anti-Fraud and Corruption We recommend that the Council drafts and approves an Anti- Fraud and Corruption policy statement and has this available on their website.	30 April 2018
	Anti-fraud and Corruption Strategy – alignment to fraud risks We recommend that the Council reviews its strategy in the light of the results of its fraud risk identification process and develops a strategy and, where appropriate, supporting documents which clearly link to the specific risks that the Council faces.	30 April 2018
	Proactive Investigation Work and Annual Work Plan for Fraud Investigation Activity We recommend that the Council undertakes pro-active anti-fraud work and produces an annual work plan either corporately or for individual service areas covering, as a minimum, the following: <ul style="list-style-type: none"> • Revenues and Benefits: (LCTS, SPD and NDR), • Housing: Services (Sub-Letting and RTB), • Corporate Fraud: Payment Procurement and Employee fraud. 	30 April 2018
	Zero Tolerance of Suspected Fraud and the Application of Sanctions We recommend that the Council evidences a zero tolerance approach to fraud and corruption. As part of this, a clear policy should be produced on the prosecution of suspected fraud and this should clearly define when the application of sanctions is appropriate.	30 April 2018
	Fraud Risk Identification We recommend that a full fraud and corruption risk assessment is conducted for the Council and once complete the Council looks for risk mitigations.	30 April 2018

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Open Data	Compliance with Transparency Code - Missing publications It is recommended that a timeline is set for: <ul style="list-style-type: none"> • Relevant departments to provide the required government procurement card transaction and local authority land data in the appropriate format • Making the above data available on the Council's website. 	31 March 2018
	Compliance with Transparency Code - Publications requiring updating It is recommended that the Council ensures that all publications are kept up-to-date and are published / updated in line with the requirements of the Transparency Code. A designated officer should be assigned the role of monitoring when an update of a publication is required and setting timelines for the relevant departments to provide the updated data/publications.	31 January 2018

One project remains from the 2016/17 audit plan: this relates to 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, one in quality review, seven audits in fieldwork, five with terms of reference issued and a further three 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 October meeting of this Committee, the following changes to the 2017/18 Audit Plan have been agreed with Officers of the Council:

New Audits (days allocated from contingency):

- IR35 – 12 days

To review the impact of IR35 on Council operations and to ensure that the Council are compliant with relevant legislation.

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. A summary is provided below of the high priority recommendation made in the Anti-Fraud Arrangement report:

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Anti-Fraud Arrangements	<p>Professional Training and Accreditation of Investigating Officers</p> <p>We recommended that the Council consider the adequacy of the current arrangements in place for completing fraud and corruption work, including the access to professionally trained and accredited fraud investigating officers.</p> <p>The Council has different options available in order to access appropriately trained officers, these include:</p> <ul style="list-style-type: none">a) Develop in house expertise through professional training;b) Buy-in the expertise as and when it is required from a specialist provider on an ad hoc basis; orc) Outsource counter fraud and corruption proactive work and investigations to a specialist provider.	<p>The comments made in the audit are correct and reflect the current situation. We will review the options available to us and consider the best way forward.</p> <p>30 April 2018</p>

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 2 January 2018, 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 2 January 2018	Actual to 2 January 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	65% (224 out of 345)	58% (201.5 out of 345 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	55% (16 out of 29 planned projects)	38% (11 out of 29 planned projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (four surveys returned)
4. Number of High Priority Audit Recommendations agreed	100%	100%	100% (1 out of 1 agreed)

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 2 JANUARY 2018

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	1	ToR Issued
Debtors					10	SIAS	1	ToR Issued
Creditors					10	SIAS	1	ToR Issued
Treasury Management					8	SIAS	2	In Fieldwork
Council Tax	Substantial	0	0	1	10	SIAS	9.5	Draft Report Issued
NDR					10	SIAS	8	In Fieldwork
Housing Benefits					10	BDO	9	Quality Review
Payroll					10	SIAS	0.5	ToR Issued
Housing Rents					15	SIAS	11	In Fieldwork
Operational Audits								
Safeguarding	Substantial	0	3	1	11	SIAS	11	Final Report Issued
Partnerships					2	SIAS	2	Cancelled
Community Engagement					10	BDO	2	ToR Issued
Records Management					10	BDO	8	In Fieldwork
Equalities & Diversity	Substantial	0	0	3	10	SIAS	10	Final Report Issued
Private Sector Tenancy	Substantial	0	0	0	10	SIAS	10	Final Report Issued

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 JANUARY 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Tree Management					10	SIAS	1.5	In Planning
Reception (Three C's)					0	SIAS	0	Cancelled
Awarding of Increments	Substantial	0	0	2	10	SIAS	10	Final Report Issued
Procurement Cards	Substantial	0	1	3	10	SIAS	10	Final Report Issued
Asbestos					10	SIAS	8	In Fieldwork
Open Data	Moderate	0	2	4	10	BDO	10	Final Report Issued
Bus Grant	N/A	-	-	-	1.5	SIAS	1.5	Complete
Street Scene Contract – Consultancy					5	SIAS		Allocated
DFG Grant Certification	N/A	-	-	-	2	SIAS	2	Complete
IR35					12	BDO	0.5	In Planning
Procurement / Contracts / Project Management								
Recycling					8	SIAS		Allocated
Local Authority Serious and Organised Crime Checklist					10	SIAS	7	In Fieldwork
Joint Reviews								
Joint Review - 1					2.5	NYA		NYA
Joint Review - 2					2.5	NYA		NYA
Shared Learning								

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 JANUARY 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	1.5	Through Year
Counter Fraud								
Anti-Fraud Arrangements	Moderate	1	5	1	12	SIAS	12	Final Report Issued
Risk Management and Governance								
Corporate Governance					20	SIAS	3.5	In planning
Standards and Ethics					10	SIAS		Allocated
IT Audits								
General Data Protection Regulations					14	BDO	13.5	Draft Report Issued
Adhoc advice								
Adhoc advice					2	SIAS	1.5	Through Year
Contingency								
Contingency					5			
Strategic Support								
Head of Internal Audit Opinion 2016/17	N/A				5	SIAS	5	Complete
Audit Committee	N/A				8	SIAS	6	Quarterly
Client Liaison	N/A				8	SIAS	6	Through Year
External Audit Liaison	N/A				1	SIAS	0.5	As required

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 JANUARY 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Plan Delivery Monitoring	N/A				8	SIAS	6	Through Year
SIAS Development	N/A				5	SIAS	5	Through Year
2018/19 Audit Planning	N/A				5	SIAS	1.5	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	Final Report Issued
Welwyn Hatfield Borough Council Total		1	11	15	350		201.5	

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
Data Security (16/17) Cancelled	Partnerships SIAS Cancelled	Procurement Cards Final report issued	Local Authority Serious and Organised Crime Checklist In fieldwork	Private Sector Tenancy Final report issued	Tree Mg In planning	Housing Benefits Quality review	Creditors	IT audit	Community Engagement ToR issued	Standards and Ethics	Street Scene Contact Consultancy
Equalities and Diversity	Awarding of Increments Final report issued	Corporate Governance		Open Data Final report issued	Reception (3Cs) Cancelled	General Ledger	Housing Rents In fieldwork	Payroll ToR issued	Records Management In fieldwork	Recycling	
Asbestos	Anti-Fraud Arrangements Final report issued	Equalities and Diversity (rescheduled from April 17) Final report issued		Asbestos (rescheduled from April 17) In fieldwork		Council Tax Draft report issued	Debtors	Treasury Management In fieldwork	Corporate Governance (reschedule from June 17) In planning	IR35 In planning	
Prevent (16/17) Final report issued	Bus Grant Complete	Safeguarding		Safeguarding (rescheduled from June 17) Final report issued		NDR In fieldwork	GDPR (IT audit and replacement for Data Security Audit) Draft report issued		Creditors (rescheduled from Nov 17) ToR issued		

APPENDIX B 2017/18 AUDIT PLAN PROJECTED START DATES

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

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.