Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
22 March 2018

Recommendation

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

Contents

1. Introduction and Background

<u>Purpose of Report</u>

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 March 2018.
b) Findings for the period 2 January 2018 to 2 March 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 March 2017.

<u>Background</u>

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

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 2 March 2018, 85% 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 January 2018 progress report to the Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Council Tax	January 2018	Substantial	1 Merits Attention
NDR	January 2018	Substantial	2 Merits Attention
Housing Benefits	January 2018	Substantial	1 Medium 2 Merits Attention

Creditors	February 2018	Substantial	1 Merits Attention
Debtors	March 2018	Substantial	2 Medium 2 Merits Attention
Records Management	March 2018	Substantial	1 Medium 1 Merits Attention

2.3 A summary is provided below of the medium priority recommendations made in the Housing Benefits, Debtors and Records Management reviews.

Audit Title	Control Area and Summary of Recommendations	Implementation Date
Housing Benefits	Reconciliation between the Benefits System and the General Ledger A standard wording should be used when minuting the 'Reconciliations' standing item in the monthly review meetings. After documenting any discussion, the item should then explicitly state the officer who prepared the reconciliation, the officer who reviewed the reconciliation and whether or not the council have agreed that the reconciliation is accurate.	31 January 2018
Debtors	Debt Recovery We recommend that the Finance Team implements a process for monitoring the current status of outstanding debts within each department, including a commentary of actions taken (to be updated by departments), similar to the Legal Debts Spreadsheet. The monitoring spreadsheet should include details of the age of the debt. The finance team should also generate aged debt reports by responsible department on a monthly basis to be sent to department heads to encourage chasing of any aged debts within their department.	31 July 2018
	Credit Notes We recommend that the Council should implement a procedure which ensures that there is a segregation of duty with regards to the raising/ authorising of credit notes, and the	30 September 2018

Audit Title	Control Area and Summary of Recommendations	Implementation Date
	processing of them.

Guidance relating to this process should also be included within the Council's policies and procedures. | |
| **Records Management** | Disposal Guidance

The policy could be improved by including information on how to actually dispose of the documentation. This may vary depending on the content of the document, but guidelines should be suggested to clearly outline the most appropriate disposal method. This could alternatively be incorporated into the disposal schedule and attached into the policy as an appendix. | 30 June 2018 |

The final project remaining from the 2016/17 audit plan (Local Authority Trading Activities) has now been delivered via a workshop facilitated by SIAS's external partner BDO.

2.4　In respect of the 2017/18 plan, audits continue to be progressed in line with the agreed audit plan with four audits at draft report stage, four audits in fieldwork, 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 January meeting of this Committee, the following changes to the 2017/18 Audit Plan have been agreed with Officers of the Council:

Cancelled Audits (days returned to contingency):
- Recycling – 10 days
  At the request of management, this audit has been cancelled due to officer capacity. This has been added to the reserve list of the 2018/19 Annual Audit Plan.
- Joint Review 2 – 2.5 days
  As agreed by the SIAS Board.

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 outstanding high priority recommendation made in the Anti-Fraud Arrangement report, previously reported to this committee:

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Anti-Fraud Arrangements	Professional Training and Accreditation of Investigating Officers 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. The Council has different options available in order to access appropriately trained officers, these include: 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; or c) Outsource counter fraud and corruption proactive work and investigations to a specialist provider.	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. 30 April 2018

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 March 2018	Actual to 2 March 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90% (302 out of 335.5)	85% (283.5 out of 335.5 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	86% (25 out of 29 planned projects)	72% (21 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% (six 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.

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	11.5	Draft Report Issued
Debtors	Substantial	0	2	2	10	SIAS	10	Final Report Issued
Creditors	Substantial	0	0	1	10	SIAS	10	Final Report Issued
Treasury Management	Full	0	0	0	8	SIAS	8	Final Report Issued
Council Tax	Substantial	0	0	1	10	SIAS	10	Final Report Issued
NDR	Substantial	0	0	2	10	SIAS	10	Final Report Issued
Housing Benefits	Substantial	0	1	2	10	BDO	10	Final Report Issued
Payroll					10	SIAS	9.5	Draft Report Issued
Housing Rents					15	SIAS	13.5	In Fieldwork
Operational Audits								
Safeguarding	Substantial	0	3	1	11	SIAS	11	Final Report Issued
Partnerships					2	SIAS	2	Cancelled
Community Engagement					10	BDO	3	In Fieldwork
Records Management	Substantial	0	1	1	10	BDO	10	Final Report Issued
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 MARCH 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		In Planning
DFG Grant Certification	N/A	-	-	-	2	SIAS	2	Complete
IR35					12	BDO	11.5	Draft Report Issued
Procurement / Contracts / Project Management								
Recycling					0	SIAS		Cancelled
Local Authority Serious and Organised Crime Checklist					10	SIAS	9.5	Draft Report Issued
Joint Reviews								
Joint Review - 1					2.5	NYA		NYA
Joint Review - 2					0	NYA		Cancelled
Shared Learning								

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	2	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	7.5	In Fieldwork
Standards and Ethics					10	SIAS		In Planning
IT Audits								
General Data Protection Regulations					14	BDO	14	Final Report Issued
Adhoc advice								
Adhoc advice					2	SIAS	2	Through Year
Contingency								
Contingency					15.5			
Strategic Support								
Head of Internal Audit Opinion 2016/17	N/A				5	SIAS	5	Complete
Audit Committee	N/A				8	SIAS	8	Quarterly
Client Liaison	N/A				8	SIAS	8	Through Year
External Audit Liaison	N/A				1	SIAS	1	Complete

APPENDIX A   PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 MARCH 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	8	Through Year
SIAS Development	N/A				5	SIAS	5	Through Year
2018/19 Audit Planning	N/A				5	SIAS	5	Complete
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	0.5	Complete
Joint Review - PREVENT					0.5	BDO	0.5	Final Report Issued
Welwyn Hatfield Borough Council Total		1	15	23	350		283.5	

Key

H = High Priority
M = Medium Priority
MA = Merits Attention
RECS = Recommendation
BDO = SIAS audit partner
N/A = not applicable

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 **Draft Report Issued**	Private Sector Tenancy **Final report issued**	Tree Mgt **In planning**	Housing Benefits **Final Report Issued**	Creditors	IT audit	Community Engagement **In Fieldwork**	Standards and Ethics **In Planning**	Street Scene Contact Consultancy **In Planning**
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 **Draft Report Issued**	Records Management **Final Report Issued**	Recycling **Cancelled**	
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 **Final report issued**	Debtors	Treasury Management **Final Report Issued**	Corporate Governance (reschedule from June 17) **In Fieldwork**	IR35 **Draft Report Issued**	
Prevent (16/17) **Final report issued**	Bus Grant **Complete**	Safeguarding		Safeguarding (rescheduled from June 17) **Final report issued**		NDR **Final Report Issued**	GDPR (IT audit and replacement for Data Security Audit) **Final report issued**		Creditors (rescheduled from Nov 17) **Final Report Issued**		

APPENDIX B   2017/18 AUDIT PLAN PROJECTED START DATES

Local Authority Trading (16/17) **In fieldwork**								General Ledger (rescheduled from Dec 17) **Draft Report Issued**		
								Debtors (rescheduled from Nov 17) **Final Report Issued**		

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.