



Welwyn Hatfield Borough Council

Audit Committee Progress Report

17 January 2019

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 January 2019, and
- Note the proposed amendments to the 2018/19 Annual Audit Plan.

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1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2018/19 as at 4 January 2019.
 - b) Findings for the period 14 September 2018 to 4 January 2019.
 - c) Details of changes to the planned start dates of audits from the approved 2018/19 Audit Plan.
 - d) Proposed amendments to the 2018/19 Annual Audit report
 - e) An update on performance management information as at 4 January 2019.

Background

- 1.2 The 2018/19 Annual Audit Plan was approved by the Audit Committee at its meeting on 22 March 2018.
- 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 2018/19 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 4 January 2019, 69% of the 2018/19 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 14 September 2018 (cut-off date for the SIAS Update Report for 1 October 2018 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Parking Permits	October 2018	Satisfactory	1 Medium, 1 Low
Street Scene Procurement	October 2018	Good	1 Low

Customer Service 3C's	October 2018	Good	2 Low
LEP Grant	October 2018	N/A	None.
Budget Monitoring	November 2018	Good	None.
DFG Grant Certification	November 2018	N/A	None.

2.3 Details on the status of all audits in this year's plan can be found in Appendix A.

2.4 In respect of the 2018/19 plan, audits continue to be progressed in line with the agreed audit plan with eleven audits at final report stage, seven audits at draft report stage, three audits in fieldwork, four 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 2018/19 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.

2.6 There are no proposed changes to audit start dates to be reported to the Committee.

Proposed Amendments to Audit Plan

2.7 Since the September meeting of this Committee, there has not been any changes to the 2018/19 Audit Plan agreed with Officers of the Council.

2.8 Contingency in the 2018/19 Annual Audit Plan for the Council currently stands at 8 days.

High Priority Recommendations

2.9 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.

2.10 The Council's Principal Governance Officer is responsible for following up the implementation status of internal audit recommendations.

2.11 We have not made any new high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.12 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.
- 2.13 As at 4 January 2019, actual performance for Welwyn Hatfield Borough Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 4 January 2019	Actual to 4 January 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	75% (232 / 309 days)	69% (214.5 / 309 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	67% (20 / 30 projects)	60% (18 / 30 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (4 / 10 survey's returned)
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A – No high priority recommendations made

- 2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2018/19 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **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 of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2018/19 ANNUAL AUDIT PLAN

2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Key Financial Systems									
General Ledger						8	Yes	7	Draft Report Issued
Debtors						10	Yes	7	In Fieldwork
Creditors						10	Yes	9.5	Draft Report Issued
Treasury Management						6	Yes	0.5	ToR Issued
Council Tax						10	Yes	7	In Fieldwork
NDR						10	Yes	9.5	Draft Report Issued
Benefits						10	Yes	0.5	ToR Issued
Payroll						6	Yes	0.5	ToR Issued
Housing Rents						10	Yes	1.5	ToR Issued
Operational Audits									
Budget Monitoring	Good	0	0	0	0	13	Yes	13	Final Report Issued
Community Protection Notices	Satisfactory	0	0	1	2	12	Yes	12	Final Report Issued
Public Health						10	Yes		Allocated
Customer Services – 3C's	Good	0	0	0	2	10	Yes	10	Final Report Issued
Voids Management						12	Yes	0.5	In Planning
Housing Allocations						12	Yes	0.5	In Planning
General Data Protection Regulations						8	Yes	6	In Fieldwork
Agency Staff						12	Yes	11.5	Draft Report Issued

APPENDIX A – PROGRESS AGAINST THE 2018/19 ANNUAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Use of Consultants (including solicitors, barristers and management consultants)						10	Yes	0.5	In Planning
Health and Safety	Satisfactory	0	0	2	1	10	Yes	10	Final Report Issued
Parking Permits	Satisfactory	0	0	1	1	8	Yes	8	Final Report Issued
DFG Grant Certification	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
Fire Safety	Satisfactory	0	0	3	0	10	Yes	10	Final Report Issued
LEP Grant	Not Assessed	0	0	0	0	5	Yes	5	Final Report Issued
Procurement / Contracts									
Street Scene Contract / Procurement	Good	0	0	0	1	5	Yes	5	Final Report Issued
Counter Fraud									
Anti-Fraud Arrangements – Follow Up						0	Yes		Cancelled
Corporate Governance and Risk Management									
Corporate Governance and Risk Management						5	Yes		Allocated
IT Audits									
Incident Management						11	Yes	10.5	Draft Report Issued
Software Licence Management						11	Yes	10.5	Draft Report Issued
PSN Accreditation						0	Yes		Cancelled
Shared Learning and Joint Reviews									
Joint Reviews						2			
Shared Learning						3		1.5	Through Year

APPENDIX A – PROGRESS AGAINST THE 2018/19 ANNUAL AUDIT PLAN





AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Contingency & Ad Hoc Activity									
Contingency & Ad Hoc Activity						8			As Required
Strategic Support									
Head of Internal Audit Opinion 2017/18						5	Yes	5	Complete
Audit Committee						8	Yes	8	Through Year
Client Meetings						6	Yes	6	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Progress Monitoring						8	Yes	8	Through Year
SIAS Development						5	Yes	5	Through Year
2019/20 Audit Planning						5	Yes	2.5	Through Year
2017/18 Projects requiring completion									
Community Engagement						4	Yes	3.5	Draft Report Issued
Tree Management	Satisfactory	0	0	1	3	8	Yes	8	Final Report Issued
Standards and Ethics	Satisfactory	0	0	0	3	7.5	Yes	7.5	Final Report Issued
Finalisation of Projects	Not Applicable					0.5	Yes	0.5	Complete
Total – Welwyn Hatfield B.C.		0	0	8	13	317		214.5	

APPENDIX B – 2018/19 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Agency Staff Draft Report Issued	Community Protection Notices Final Report Issued	Parking Permits Final Report Issued	Customer Services – 3C's Final Report Issued	Budget Monitoring Final Report Issued	Use of Consultants In Planning
Tree Management (17/18) Final Report Issued	Health and Safety Final Report Issued	PSN Accreditation Cancelled	Street Scene Procurement Final Report Issued	Incident Management Draft Report Issued	Anti-Fraud Arrangements Follow-Up Cancelled
Standards & Ethics (17/18) Final Report Issued	LEP Grant Final Report Issued			Fire Safety Final Report Issued	DFG Grant Certification Final Report Issued
Community Engagement (17/18) Draft Report Issued					
October	November	December	January	February	March
General Ledger Draft Report Issued	Treasury Management ToR Issued	Benefits ToR Issued	Voids Management In Planning	Public Health	Corporate Governance and Risk Management
Debtors In Fieldwork	Council Tax In Fieldwork	Payroll ToR Issued	Housing Allocations In Planning		
Creditors Draft Report Issued	NDR Draft Report Issued	Housing Rents ToR Issued			
Software Licence Management Draft Report Issued	GDPR – deferred from April In Fieldwork				

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2018/19

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level		Definition
Corporate	Critical	 Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	 Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	 Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory	 Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.