Welwyn Hatfield Borough Council
Audit Committee Progress Report
5 September 2024

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report for the period to 12 August 2024
- Note the implementation status of internal audit recommendations and the management update.
- Note the Global Internal Audit Standards Briefing Paper.

Contents

Appendices

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 Internal Audit Plan for 2024/25 as at 12 August 2024.
   b) In-Year Audit Plan review and proposed plan amendments.
   c) The implementation status of previously agreed audit recommendations.
   d) An update on performance indicators as at 12 August 2024.

Background

1.2   The 2024/25 Internal Audit Plan was approved by the Audit Committee on 18 March 2024.

1.3   The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving an update on the delivery of the 2024/25 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 12 August 2024, 29% of the 2024/25 Audit Plan days had been delivered.

2.2   There have been two final audit reports that have been issued since the previous progress report.

Audit Title	Assurance Opinion	Recommendations
Remote Working and Multi Factor Authentication	Substantial	1 Low
Trees Inspection Programme	Reasonable	1 Medium, 1 Low

High Priority Recommendations

2.3   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. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.4   No new high priority recommendations have been raised as a result of the work completed and reported in the table at paragraph 2.2. Therefore, there are no outstanding high priority recommendations.

Medium Priority Recommendations

2.5   It has been agreed with Council management that SIAS will follow up all medium priority recommendations resulting from internal audit reports at the point that they reach the implementation target date advised in the action plan provided by management. There were two medium priority recommendations due for follow up during this cycle, one of which has been implemented. An update has been provided in respect of the outstanding medium priority recommendation in appendix D.

Proposed Amendments

2.6   There are no plan amendments proposed within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

2.7   To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 12 August 2024
Draft / Final Report Issued	4	16%	(5/25)
In Fieldwork / Quality Review	4	16%	(5/25)
Terms of Reference Issued / In Planning	7	28%	(5/25)
Not Yet Started	10	40%	(10/25)

2.8   Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 12 August 2024, 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 12 August 2024	Actual to 12 August 2024
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	32% (90 / 280 days)	29% (80.5 / 280 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31st March 2024	90%	20% (5 / 25 projects)	16% (4 / 25 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (3 returned from 11 issued within 2024/25)
4. Number of High Priority Audit Recommendations agreed	95%	95%	No high priority recommendations have been made to date in 2024/25

2.9   In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance's Annual Report:

- **5. 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.

- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's second meeting of the civic year.

- **7**. **Planned Projects** - percentage of actual completed projects to Final report stage against planned completed projects. Reported annually within the Chief Audit Executive's annual report and opinion.

Summary of Performance Against KPI's

2.10   Whilst Plan delivery is naturally subject to a continued stable establishment and availability of client officers to support audits, we currently report no risks to the delivery of a robust annual assurance opinion.

Global Internal Audit Standards

2.11   A briefing paper on the revised Global Internal Audit Standards that are required to be implemented by SIAS by 1 April 2025 is attached at Appendix E. Members should note that the Standards guide the worldwide professional

practice of internal auditing, are principle-based, and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are guiding principles that enable effective internal auditing, including the role and function of an audit committee.

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 12 AUGUST 2024

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Key Financial Systems										
Cash and Banking						10				
Creditors (Risk & Control Mapping)						5	SIAS	0.5	In Planning	
Debtors (Risk & Control Mapping)						5	SIAS	0.5	In Planning	
Housing Benefits						10				
Payroll (Risk & Control Mapping)						5				
Treasury Management						10				
Operational Services										
CCTV and Body Worn Cameras						10				
CIL – Implementation						10				
Damp and Mould Follow Up						5	SIAS	2	In Fieldwork	
Oak Hill						10	SIAS	2	In Planning	
Parking - New On-Street Parking Restrictions						10	SIAS	0.5	In Planning	
Planned work and repairs						12	SIAS	2.5	In Fieldwork	
Statutory Compliance						12				
Tenancy Audits						10				
Trees Inspection	Reasonable			1	1	10	SIAS	10	Final Report	Yes

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Programme									Issued	
Corporate Services										
Agency Staffing						10				
Contract Procurement						10				
Engagement Strategy						8	SIAS	0.5	In Planning	
Procurement Act – Preparedness Part 1						5	SIAS	5	Draft Report Issued	
Procurement Act – Preparedness Part 2						3	SIAS	0.5	In Fieldwork	
Sickness Absence Management						10	SIAS	10	Draft Report Issued	
Transformation Board						10	SIAS	8	Quality Review	
IT Audits										
Cyber - Governance and Culture						10	BDO	1.5	In Planning	
IT Architecture Assessment						10	BDO	0.5	In Planning	
Remote Working and Multi Factor Authentication	Substantial				1	12	BDO	12	Final Report Issued	No (Issued 10/07/24)
Grant Claims / Charity Certification										
Miscellaneous Grant Claims						2				
Contingency										
Contingency						5				

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 12 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Client Management - Strategic Support										
Audit Committee and Recommendation Follow Up						10	SIAS	5		
Chief Audit Executive Opinion 2023/24						3	SIAS	3	Complete	N/A
Client Liaison and Corporate Governance Group						8	SIAS	4		
Plan and Progress Monitoring						7	SIAS	3.5		
SAFS Management Actions Follow Up						1	SIAS	0		
SIAS Development and Global Internal Audit Standards implementation.						15	SIAS	4		
2025/26 Audit Planning						7	SIAS	0		
2023/24 Carry Forward										
Completion of outstanding 2023/24 projects						5	SIAS	5	Complete	N/A
Total		**0**	**0**	**4**	**6**	**285**		**80.5**		

Key / Notes
Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance
C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority
BDO = SIAS Audit Partner
N/A = Not Applicable
Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2023/24 Internal Audit Plan.
CSQ = Client Satisfaction Questionnaire

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Audits	Sickness Absence Management - Draft Report	Creditors CRA Mapping – In Planning	Agency Staffing	Cash and Banking
	Trees Inspection Programme - Final Report	Damp and Mould Follow Up – In Fieldwork	Housing Benefits	CCTV and body worn cameras
	Transformation Board – Quality review	Debtors CRA Mapping – In Planning	Payroll CRA Mapping	CIL - Implementation
		Oak Hill – In Planning	Statutory Compliance	Contract Procurement
		Parking - New On-Street Parking Restrictions – In Planning	Tenancy Audits	
		Planned work and repairs – In Fieldwork	Treasury Management	
		Procurement Act – Preparedness Part 1 – Draft Report		
		Procurement Act – Preparedness Part 2 – In Fieldwork		
IT Audits	Remote Working and Multi Factor Authentication - Final Report		Cyber - Governance and Culture – In Planning	IT Architecture Assessment – In Planning – In Planning
Embedded Assurance	Engagement Strategy - Provision across 2024/25 – In Planning			

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Other	2023/24 Carry Forward			

Key:
Final Report Issued
Draft Report Issued
Quality Review
IT – IT Audits
G/C – Grant or charity certification to be completed as part of the audit plan
O - Other
CRA - Control Risk Assessment - A process by which management and staff work with internal audit to identify and evaluate operational risks and the effectiveness of controls. The objective is to provide reasonable assurance that all business objectives will be met.

APPENDIX C – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
Handheld Devices Security	**Mobile Device Policies and Procedures** As part of the mobile device provisioning process, members of staff should be provided with all associated relevant policies and directed to read them on a mandatory basis. Members of staff should be required to sign a declaration confirming that they have read and understood all necessary policies and procedures prior to being able to use their devices. It is understood that the Council's starters and leavers process is currently under review, and this recommendation should be included as part of this project.	WHBC ICT will create a form for completion by new mobile device users, indicating the location of relevant policies and requiring confirmation that they have been read. Users will only be issued with mobile devices on completion of the form.	31/05/2024	ICT Operations Manager	May 2024 We are in discussions with HR to include the document as a signature requirement to be included within the onboarding process for new starters. The ICT policy is to be included as part of the DocuSign issued alongside the Code of conduct which is issued currently. August 2024 WHBC are working with DocuSign to repackage the required documents. These will then be issued and signed off by new starters prior to their start date. We are working with the HR team to deliver a cohesive solution.	31/10/2024	Partially Implemented

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

	Audit Opinions	
	Assurance Level	Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

	Finding Priority Levels	
	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	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.

APPENDIX E - GLOBAL INTERNAL AUDIT STANDARDS – BRIEFING PAPER

The change from the International Professional Practices Framework to the Global Internal Audit Standards

1. Following consultation during 2023, the Global Institute of Internal Auditors (the GIIA) published a set of new Global Internal Audit Standards (GIAS) in January 2024. The GIAS are due to come into effect from January 2025, although this has been extended to April 2025 for the UK public sector to align with the new financial / municipal year and internal audit reporting requirements.

2. The previous International Professional Practices Framework (IPPF) was separated into categories for mandatory and recommended guidance. The new 2024 GIAS have incorporated the recommended guidance into the mandatory requirements to aid practitioners in accessing and understanding the information. This has also led to the previous Code of Ethics, Core Principles, and Implementation guidance under the umbrella of the new Standards. The image below (from the consultation papers) encapsulates this change.

3. New to the 2024 GIAS are the setting of Topical Requirements. They are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.

4. Although mandatory, there is a comply or explain approach when auditing, or choosing not to audit, an area where topical requirements have been published. They are not a requirement to perform any engagement, nor are they a step-by-step approach to the execution of the Internal Audit engagement. The topical requirements include a tool to help internal audit document the rationale for including or excluding certain requirements.

5. To date, one Topical Requirement has been published on Cyber Security. Others being developed include:

a) Organisational Governance
b) Fraud Risk Management
c) Information Technology Governance
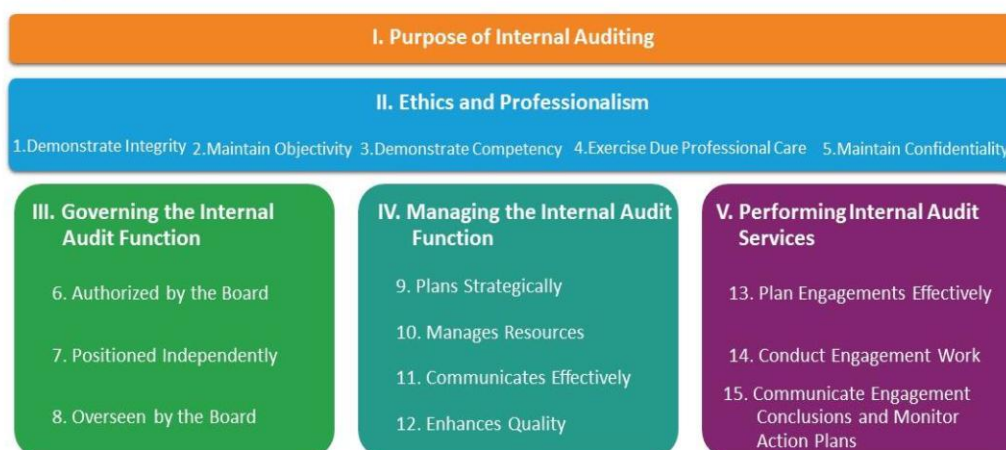
    d) Sustainability: Environment, Social and Governance
    e) Third-party Management
    f) Performance Audits (Public Sector specific)

The Global Internal Audit Standards – Domains and Principles

Global Internal Audit Standards
Five Domains, 15 Principles

I. Purpose of Internal Auditing

II. Ethics and Professionalism

1.Demonstrate Integrity   2.Maintain Objectivity   3.Demonstrate Competency   4.Exercise Due Professional Care   5.Maintain Confidentiality

III. Governing the Internal Audit Function	IV. Managing the Internal Audit Function	V. Performing Internal Audit Services
6. Authorized by the Board	9. Plans Strategically	13. Plan Engagements Effectively
7. Positioned Independently	10. Manages Resources	14. Conduct Engagement Work
8. Overseen by the Board	11. Communicates Effectively	15. Communicate Engagement Conclusions and Monitor Action Plans
	12. Enhances Quality	

6. The GIAS are arranged into five Domains (sections), as also outlined in the image above:

  I. Purpose of Internal Auditing
  II. Ethics and Professionalism
  III. Governing the Internal Audit Function
  IV. Managing the Internal Audit Function
  V. Performing Internal Audit Services

7. There are five domains, with the first two being the foundations which apply across all other domains. Domain III is around governing internal audit, is therefore the most relevant to the Audit Committee and includes essential conditions that the Audit Committee needs to follow. Domain IV is around leading the internal audit function and therefore is the focus of the Chief Audit Executive (aka the Head of Internal Audit). Finally, Domain V is focused on performing internal audit engagements.

8. The 5 domains include 15 Principles (as also outlined in the image above) and 53 individual standards to support these. Each standard includes:

a) Requirements – mandatory practices for internal audit
b) Considerations for implementation – common and preferred practices to consider when implementing the requirements.

    c) Examples of evidence of conformance – examples to demonstrate that the requirements have been implemented.

9. This new structure while meaning the document is now in the region of 100 pages long, is easy to dip in and out of and bring all relevant material to one place, rather than having to read across different documents.

10. The review has not just been structural. There are new requirements and clarifications. These are aimed to raise the bar for the profession across the globe in the private and public sector, however, in the UK and Ireland (and EU) the distance from current practice to the new GIAS is not as great as in other parts of the world. This is especially the case for public sector internal audit teams in the UK that 'generally conformed' with the Public Sector Internal Audit Standards (PSIAS) enshrined in the Accounts and Audit Regulations 2015. The PSIAS were themselves based on the IPPF.

Key Changes

11. The table below illustrates some of the key changes in the GIAS:

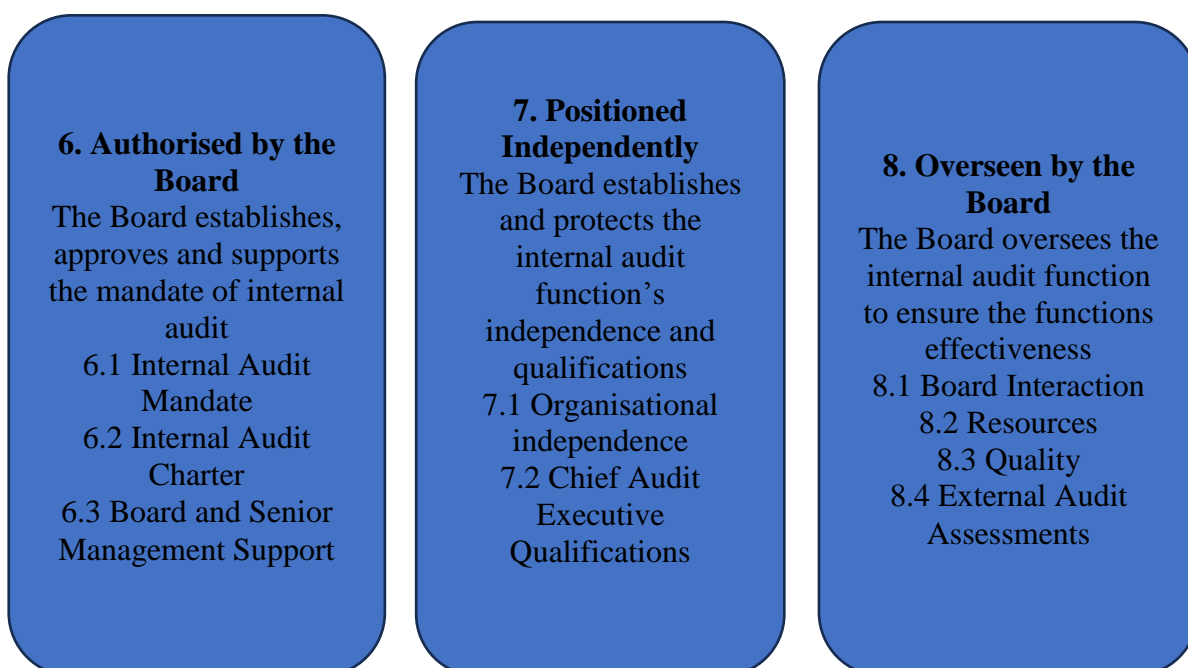| Area	Term	Definition / Change / Narrative
Glossary	**Board**	Collective noun and is defined in the glossary as below: *'Highest-level body charged with governance, such as:* • *A board of directors.* • *An audit committee.* • *A board of governors or trustees.* • *A group of elected officials or political appointees.* • *Another body that has authority over the relevant governance functions.* *In an organisation that has more than one governing body, "board" refers to the body or bodies authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.'* In the UK public sector, this is generally deemed to be the Audit Committee or equivalent.
Glossary	**Root Cause**	Core issue or underlying reason for the difference between the criteria and condition of an activity under review. See Domain V below.
Domain I	**Purpose of Internal**	*'Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the*

	Auditing	*board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.'* Internal auditing enhances the organisation's: • Successful achievement of its objectives. • Governance, risk management, and control processes. • Decision-making and oversight. • Reputation and credibility with its stakeholders. • Ability to serve the public interest.
Domain II	**Code of Ethics**	Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective. Professional courage is a new term. This is not about internal auditors seeking to speak directly with the board on areas they are worried about, but having professional discussion and using escalation protocols as appropriate to ensure that the message reaches the board as appropriate. Part of this is about ensuring that internal audit functions are aware of what ethical standards are expected, which is why ethical training is key part of this.
Domain III	**Governing the Internal Audit Function**	Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the previous IPPF, the new GIAS go further and explicitly lay out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform. See separate section at paragraph 12 below.
Domain IV	**Managing the Internal Audit Function**	The Internal Audit Strategy principle sits in here, and the need to develop and implement an internal audit strategy. It should be noted that SIAS already has a Strategy approved by the SIAS Board. This is being revisited to ensure that it conforms with the GIAS.

Domain V	**Performing the Internal Audit Services**	This is largely the same as the previous IPPF / PSIAS. The term root cause in here has been an area of discussion amongst internal auditors.

12. The images below depict the three principles and nine standards of Domain III, being that most relevant to Audit Committees and senior management.

6. Authorised by the Board
The Board establishes, approves and supports the mandate of internal audit
6.1 Internal Audit Mandate
6.2 Internal Audit Charter
6.3 Board and Senior Management Support

7. Positioned Independently
The Board establishes and protects the internal audit function's independence and qualifications
7.1 Organisational independence
7.2 Chief Audit Executive Qualifications

8. Overseen by the Board
The Board oversees the internal audit function to ensure the functions effectiveness
8.1 Board Interaction
8.2 Resources
8.3 Quality
8.4 External Audit Assessments

UK Public Sector Update

13. The GIAS will form the basis for internal auditing for the UK public sector and the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are carrying out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. This is especially relevant for Domain III. The consultation material is due for issue by September 2024 at the latest, with a consultation period of eight weeks.

14. Having regard to the points raised by respondents, the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the Relevant Internal Audit Standards Setters (including Treasury, CIPFA and others), these will be issued later in 2024 to allow sufficient time for preparation for implementation. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing

PSIAS based on the old International Professional Practices Framework and enshrined in the Audit and Account Regulations 2015 will continue to apply.

15. The PSIAS require an External Quality Assessment (EQA) to be completed every five years, and this continues to be a requirement of the GIAS. Those local authorities with an EQA due in 2024 must complete these prior to the GIAS implementation date of 9 January 2025 and can request an additional readiness assessment against the new GIAS. Those with an EQA date due in 2025 can opt to bring this forward for conduct under the existing PSIAS on the grounds outlined or keep to the planned date but must have completed sufficient engagements under the new standards prior to being assessed. The next SIAS EQA is due in July 2026, thereby providing sufficient time to embed and evidence compliance with the new standards.

Actions and Next Steps

16. SIAS have, and will continue to, participate in consultation around the GIAS.

17. We have been attending professional body (Chartered IIA, CIPFA) and network (Chief Auditors Network, HCCIAG, LAG) webinars, training, and discussions to make sure we learn from colleagues and understand what is proposed, timeframes, the implications for SIAS and how we ensure we conform with the GIAS.

18. We have reviewed guidance and template documents available on the Chartered IIA member web pages and are working through the GIAS self-assessment tools available from the professional body to identify gaps, actions and exceptions.

19. As noted at paragraph 10, there are not a significant number of requirements for SIAS to implement from scratch and most of the work relates to revisiting and updating (where necessary) our documentation, processes, procedures, approaches, and methodologies to ensure that they conform with the GIAS. We have sought to link this as closely as possible to the normal delivery and reporting cycles to the SIAS Board and partner Audit Committees. To this end, partner Audit Committees have already received our updated and revised Internal Audit Mandate and Internal Audit Charter for approval in the May / June reporting cycle.

20. We will report on implementation and conformance with the GIAS, including areas of deliberate non-conformance, to the SIAS Board and our partner Audit Committees as part of our annual self-assessment accompanying the annual assurance opinion and our Internal Audit Charter. This forms part of the May / June Audit Committee cycle. We will inform the SIAS Board and partner Audit Committees should any material impediments to implementation arise ahead of the key UK public sector implementation date of 1 April 2025.