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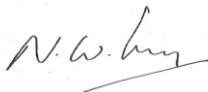
Please ask for:
Gurdip Paddan

14 March 2018

Dear Councillor

You are requested to attend a meeting of the WELWYN HATFIELD BOROUGH COUNCIL AUDIT COMMITTEE to be held on Thursday 22 March 2018 at 7.30 pm in the Council Chamber, Council Offices, The Campus, Welwyn Garden City, Herts, AL8 6AE

Yours faithfully



Executive Director
Public Protection, Planning and Governance

AGENDA
PART 1

1. **SUBSTITUTION OF MEMBERS**

To note any substitution of Committee members made in accordance with Council Procedure Rules 19-22.

2. **APOLOGIES**

3. **MINUTES**

To confirm as a correct record the Minutes of the meeting held on 15 January 2018 (previously circulated).

4. **ACTIONS UPDATE**

There is nothing to report.

5. NOTIFICATION OF URGENT BUSINESS TO BE CONSIDERED UNDER ITEM 11 AND ANY ITEMS WITHDRAWN FROM THE AGENDA

6. DECLARATIONS OF INTERESTS BY MEMBERS

To note declarations of Members' disclosable pecuniary interests, non-disclosable pecuniary interests and non-pecuniary interests in respect of items on this agenda.

7. PUBLIC QUESTION TIME AND PETITIONS

Up to fifteen minutes will be available for questions from members of the public on issues relating to the work of the Committee and to receive any petitions.

8. SHARED INTERNAL AUDIT SERVICE (SIAS) PROGRESS REPORT (Pages 5 - 18)

Report of the Shared Internal Audit Service (SIAS) which provides details of the delivery plan and key findings. Also details of the proposed amendments to the Audit Plan.

9. SHARED INTERNAL AUDIT SERVICE (SIAS) AUDIT PLAN REPORT 2018-2019 (Pages 19 - 36)

Report of the Shared Internal Audit Service (SIAS) on the Audit Plan for 2018-2019.

10. EXTERNAL AUDIT PROGRESS REPORT - ERNST AND YOUNG LLP (EY) (Pages 37 - 44)

External Audit Progress Report which provides the Committee with an overview of the progress that has been made with the work that has been completed during the 2017/18 Audit.

11. SUCH OTHER BUSINESS AS, IN THE OPINION OF THE CHAIR, IS OF SUFFICIENT URGENCY TO WARRANT IMMEDIATE CONSIDERATION

12. EXCLUSION OF PRESS AND PUBLIC

The Committee is asked to resolve:

That under Section 100(A) (2) and (4) of the Local Government Act 1972, the press and public be now excluded from the meeting for item 13 (if any) on the grounds that it involves the likely disclosure of confidential or exempt information as defined in Section 100A (3) and Part I of Schedule 12A of the said Act as amended.

In resolving to exclude the public in respect of the exempt information, it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART II

13. ANY OTHER BUSINESS OF AN EXEMPT NATURE AT THE DISCRETION OF THE CHAIR

Circulation: Councillors N.Pace (Chairman) H.Quenet
J.Boulton S.Roberts
H.Bower K.Thorpe
G.Michaelides

D.Bell (Executive Member, Resources)

Executive Board
Press and Public (except Part II Items)

If you require any further information about this Agenda please contact Gurdip Paddan, Governance Service Unit on 01707 357349 or email – democracy@welhat.gov.uk

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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

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1.1 Purpose

1.2 Background

2 Audit Plan Update

2.1 Delivery of Audit Plan and Key Findings

2.6 Proposed Amendments to Audit Plan

2.7 High Priority Recommendations

2.9 Performance Management

Appendices

A Progress against the 2017/18 Audit Plan

B 2017/18 Audit Plan Projected Start Dates

C Definitions of Assurance and Recommendation Priorities

1. Introduction and Background

Purpose of Report

- 1.1 This report provide Members with details of the:
- 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.
 - Findings for the period 2 January 2018 to 2 March 2018.
 - Details of changes to the planned start dates of audits from the approved 2017/18 Audit Plan.
 - Proposed amendments to the approved 2017/18 Council Audit Plan.
 - An update on performance management information as at 2 March 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 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	<p><u>Reconciliation between the Benefits System and the General Ledger</u></p> <p>A standard wording should be used when minuting the 'Reconciliations' standing item in the monthly review meetings.</p> <p>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.</p>	31 January 2018
Debtors	<p><u>Debt Recovery</u></p> <p>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.</p> <p>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.</p>	31 July 2018
	<p><u>Credit Notes</u></p> <p>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</p>	30 September 2018

Audit Title	Control Area and Summary of Recommendations	Implementation Date
	<p>processing of them.</p> <p>Guidance relating to this process should also be included within the Council's policies and procedures.</p>	
Records Management	<p><u>Disposal Guidance</u></p> <p>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.</p>	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	<p><u>Professional Training and Accreditation of Investigating Officers</u></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 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.

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

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				
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

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 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)									General Ledger (rescheduled from Dec 17)		
In fieldwork									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.



Finance, Audit and Risk
Committee
Welwyn Hatfield Borough Council

2018/19 Internal Audit Plan Report

22 March 2018

Recommendation

Members are recommended to approve the
proposed Welwyn Hatfield Borough Council
Internal Audit Plan for 2018/19

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- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
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- 2.4 Planning Context
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3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed Welwyn Hatfield Borough Council Audit Plan 2018/19
- B Proposed Welwyn Hatfield Borough Council Audit Plan 2018/19 – Reserve List
- C Audit Start Dates Agreed with Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Welwyn Hatfield Borough Council (the Council) 2018/19 Internal Audit Plan.

Background

- 1.2 The Council's Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the July 2017 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the July 2018 Audit Committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:
- Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- key committee reports at each client and identifies emerging risks and issues
- the professional and national press for risks and issues emerging at national level

Consideration of risk management arrangements

SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide

assurance on areas directly linked to the achievement of the council's objectives and priorities.

2.3 The approach to audit planning for 2018/19 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment

Managers and SIAS agree the level of risk associated with an identified auditable area

Other sources of Assurance

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2018/19 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.
- d) The views of the Chair of the Audit Committee and the Council's external auditor are sought to confirm that their requirements are adequately addressed.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities provide their services remains challenging:

- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are unsustainable and public leaders expect serious financial difficulty ahead.
 - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens.
 - Technology, from use of mobile devices to the applications of predictive analytics, is now key to service delivery and offers opportunities along with significant risks.
 - Major, national programmes in areas like welfare reform and business rate reform, increased reliance on partnership working and the vote to leave the EU, mean the environment in which councils operate is uncertain.
- 2.5 The resultant efficiency and transformation programmes, that councils are developing and implementing, are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective
 - Give assurance which covers the control environment in relation to new developments, using audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate
 - Retain flexibility in the audit plan and ensure it remains current and relevant as the financial year progresses

Internal Audit Plan 2018/19

- 2.7 The draft plan for 2018/19 is included at Appendix A and B and contains a high level proposed outline scope for each audit; Appendix C details the agreed start months. The number of days purchased in 2018/19 has reduced by 10%, which for Welwyn Hatfield Borough Council equates to a reduction from 350 days (in 2017/18) to 315 days (in 2018/19). A similar 10% reduction has been applied across all other SIAS partner Councils and was agreed by the SIAS Board at its

meeting in December 2017. The SIAS Audit Manager has agreed to carrying forward two days from the 2017/18 Audit Plan to be used in 2018/19, meaning the plan presented at Appendix A is based on 317 days.

- 2.8 The table below shows the estimated allocation of the total annual number of purchased audit days for the year and the allocated budgets for 2017/18, as reported to Audit Committee on 3 April 2017, for comparison and to demonstrate where the 10% audit days saving has been achieved.

	2018/19 Days	%	2017/18 Days	%
Key Financial Systems	80	25	95	27
Operational audits	121	38	120	34
Joint Reviews and Shared Learning	5	2	17	5
Procurement / Contracts	10	3	8	2
IT Audits	30	9	10	3
Corporate Governance	5	2	30	9
Counter Fraud	5	2	10	3
Strategic Support*	36	11	40	11
Contingency and other	5	2	7	2
Carry forward work from 17/18	20	6	13	4
Total allocated days	317	100%	350	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2019/20.

- 2.9 A list of reserve audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.10 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for approval through the usual plan update reporting cycle.
- 2.11 Members will note the inclusion of a provision for the completion of projects that relate to 2017/18. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.

- 2.12 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work 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. Progress against the agreed plan for 2018/19 and any proposed changes will be reported to this Committee four times in the 2018/19 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011 and are reviewed annually by the Board. Details of the targets set for 2018/19 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. Planned Days percentage of actual billable days against planned chargeable days completed.	95%
2. Planned Projects percentage of actual completed projects to draft report stage against planned completed projects Note: To be based on the judgement	95%

of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	External Auditors are able to rely upon the range and quality of SIAS' work Not applicable at WHBC as External Audit does not currently place reliance on the work of SIAS
6. Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
7. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

KEY FINANCIAL SYSTEMS		
Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Key Financial Systems		
General Ledger	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Systems access b) Setting up, deletion and monitoring of general ledger accounts in line with an established delegation of authority, c) Processing of journals and virements, ensuring that only authorised transactions with appropriate justification documented can be entered, d) Reconciliation of financial and non-financial systems where significant income is received, e) Regular review and clearance of suspense accounts, 	70
Debtors	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Customer account creation and amendment, b) Raising of debtor accounts, c) Credit notes and refunds, d) Accounting for income received, e) Write offs, and f) Debtors control account reconciliations, 	
Creditors	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Raising of supplier accounts, b) Ordering of goods, works and services, c) Receipt of goods, works and services, d) Payment of suppliers' invoices, e) Credit notes and refunds, and f) Creditors control account reconciliations. 	

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

Treasury Management	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Treasury Management Practices, Policies and Procedures, b) Reporting Arrangements, c) Service Continuity and Training, d) Cash Flow Management, e) Counter-Party Risk, f) Transactions, g) On-line Banking and Investments, h) Capital and Interest Payments, i) Reconciliations, j) Performance Monitoring, and k) External Service Providers.
Council Tax	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Policies, Procedures and Legislation, b) Amendment to Council Tax records, c) Discounts and Exemptions, d) In-year Billing, e) Collection and Refunds, f) Recovery, Enforcement and Write Offs, g) Reconciliation between Council Tax system and General Ledger, h) Performance monitoring and Performance, and i) System access.
NDR	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Policies, procedures and regulatory compliance, b) Reconciliation between NDR system and Valuation lists, c) Multiplier setting, d) Voids and reliefs, e) In-year Billing, f) Collection and refunds,

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

	<ul style="list-style-type: none"> g) Recovery, enforcement and write offs, h) Reconciliation between NDR system and general ledger, i) Performance monitoring and management, and j) System access. 	
Housing Benefits	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Policies, procedures and set-up of standing data, b) Assessments and backdating, c) Payments, d) Recovery of Overpayments, e) Reconciliations, f) Performance Monitoring, and g) Security of Data. 	
Payroll	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) starters, leavers, b) transfers and amendments, c) payroll payments (including scheduling and BACS), d) pension contribution rates, e) payroll deductions and third party payments, reconciliations, f) management exception reports, g) systems access / security, h) management of the external Payroll contract. 	
Housing Rents	To provide assurance that the annual rent setting is approved and completed in a timely manner, income is collected and recorded accurately, rent arrears are actively pursued and written off where necessary and that rent arrears are effectively monitored and reported.	10
OPERATIONAL AUDITS		
Budget Monitoring	To provide assurance that sufficient governance exists to support budget managers in effectively monitoring their budgets, this includes variance reporting and challenging and evidence that monitoring meetings have been held. In addition, to provide assurance that capital budgets are effectively	15

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

	monitored to ensure prompt and robust reporting of any slippage against the original business case timings for funds.	
Community Protection Notices	To provide assurance that community protection notices are issued consistently across the Council in compliance with Council policy and regulations.	12
Public Health	To provide assurance that the Council has appropriate arrangements in place to meet its statutory requirements.	10
Customer Services - Contract Management	To provide assurance that the contract management, performance monitoring and reporting arrangements are robust and complete. Review to include benchmarking of the Council's approach to performance monitoring and reporting of Customer Service metrics.	10
Voids Management	To provide assurance over the monitoring and management of voids to ensure properties are returned to the housing in a timely manner. This would include a review of the policies and procedures in place to manage voids (including ensuring consistency of definitions of voids), roles and responsibilities assigned, pre and post inspections of works and performance monitoring.	12
Housing Allocations	To provide assurance over the whole process - assessment and placing an application - selection for allocation (HA Properties SC / Council Properties SP) - verification of the right people being awarded.	12
General Data Protection Regulations	A two part audit, initially to provide assurance that the Council is on track to comply with GDPR by 25 May 2018. The second part to provide assurance that the Council is progressing through the roadmap to full compliance as expected.	8
Agency Staff	To provide assurance that agreed authorisation and other procedures are adhered to, consideration of alternative arrangements to determine that agency staff is the most cost effective solution, monitoring and reviewing of use, type and need of agency staff and timesheets are subject to management checks on a timely basis.	12
Use of Consultants (including solicitors, barristers, management consultants)	To carry out an analysis of the use of consultants by departments and the type of consultants used. To ascertain the reasons for use, whether it is cost effective and to ensure correct procedures have been followed including Contract Procedure Rules and IR35 regulations.	10
Health and Safety	To provide assurance that the Council is compliant with the Health and Safety at Work Act 1974. The review to include risk assessments, training, reporting (of accidents and performance), governance and policy documentation.	10
Parking Services	To provide assurance that the issuing of parking permits is in line with the Parking Strategy (both online and manual applications), evidence is retained to confirm eligibility and income is correctly collected and recorded.	8
DFG Grant Certification	To undertake sufficient audit work to enable the Head of Audit to certify the Disabled Facilities Capital Grant form, as required by the Department of Communities and Local Government.	2

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

PROCUREMENT / CONTRACTS		
Street Scene Contract / Procurement	To provide assurance that the process of competitive dialogue is meeting the objectives and that the procurement process as a whole is subject to robust governance including oversight of project timings, fairness in assessments and the use of external consultants.	10
JOINT REVIEWS		
Joint Reviews and Shared Learning	Joint review topics to be agreed by the SIAS Board and production of SIAS Quarterly Shared Learning papers.	5
IT AUDITS		
Incident Management	To provide assurance that robust policies, procedures and responsibilities have been documented and communicated, incidents are identified, logged and prioritised, incidents are investigated, diagnosed and escalated, incidents are resolved and systems recovered and incidents are monitored and reported.	11
Software Licence Management	To provide assurance that the Council have a complete inventory of software including licences held, the licence count meets the business need and represents value for money and software contract payments are sufficiently monitored.	11
PSN Accreditation	To provide assurance that the Council has maintained sufficient evidence and embedded appropriate systems to demonstrate compliance with the requirements for continuing PSN compliance.	8
CORPORATE GOVERNANCE		
Corporate Governance and Risk Management	To provide assurance over the Council corporate governance and risk management arrangements. Focussed scope to be agreed following conclusion of the 2017/18 Corporate Governance review.	5
ANTI-FRAUD ARRANGEMENTS		
Anti-Fraud Arrangements Follow Up	To follow up the seven recommendations made in the 2017/18 Anti-Fraud Arrangements report.	5

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

CONTINGENCY & AD HOC ACTIVITY		
Contingency	To provide for adequate response to risks or issues emerging in 2018/19.	5
STRATEGIC SUPPORT & CONTINGENCY		
Head of Internal Audit Opinion 2017/18	To prepare and agree the Head of Internal Audit Opinion for 2017/18	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	8
Client Liaison	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	6
External Audit Liaison	Meetings with the Council's External Auditor, as required.	1
Plan Delivery Monitoring	Audit Plan monitoring and reporting.	8
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2019/20 Audit Planning	Provision of services to prepare, agree and report the 2019/20 Annual Audit Plan.	5
17/18 Projects requiring completion	Completion of outstanding work from 2017/18.	20
TOTAL AUDIT PLAN DAYS		317

APPENDIX B – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19 – RESERVE LIST

RESERVE LIST		
Fire Safety	To provide assurance that the Council is meeting its requirements relating to fire safety in community properties and dwellings.	
Electronic Purchasing Cards	To provide assurance that all controls relating to the move to an electronic system for purchasing cards are operating effectively.	
Project Management	To provide assurance that the Council has project management policies and procedures in place and that these policies and procedures are consistently implemented across the Council in any project work undertaken.	
Pooling Returns	To provide assurance that there are robust procedures in place to ensure accurate forecasting. Controls surrounding the production of quarterly information to S151 and Members are sufficiently robust.	

APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
General Data Protection Regulations	Community Protection Notices	Parking Services	Customer Services – Contract Management	Budget Monitoring	Use of Consultants
Agency Staff	Health and Safety	PSN Accreditation	Street Scene Procurement	Incident Management	Anti-Fraud Arrangements Follow-Up
					DFG Grant Certification
October	November	December	January	February	March
General Ledger	Treasury Management	Housing Benefits	Voids Management	Public Health	Corporate Governance and Risk Management
Debtors	Council Tax	Payroll	Housing Allocations		
Creditors	NDR	Housing Rents			
Software Licence Management					

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Welwyn Hatfield Borough Council

Audit Committee

External Audit Progress Report

12 March 2018





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12 March 2018

Audit Committee
Welwyn Hatfield Borough Council

Dear Committee Member

Audit Progress Report

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2017/18 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee except for those where we will bring the Audit Plan or the Audit Results Report.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris
Associate Partner
For and behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Welwyn Hatfield Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Welwyn Hatfield Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Welwyn Hatfield Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2017/18 audit

Audit status

This is our progress report for the 2017/18 audit year. Appendix A is a summary of the key deliverables and progress against these.

Audit Planning

We audit the Council's Statement of Accounts in accordance with the requirements of the National Audit Office's 2015 Code of Audit Practice, auditing standards and other professional requirements.

At the conclusion of our work, we provide an opinion on whether the financial statements give a true and fair view of the financial position of the Council and of its expenditure for the financial year under audit.

We completed our planning for the 2017/18 audit issued our Audit Plan in January 2018.

Significant risks

Our Audit Plan set out the significant and other risks we identified as part of planning procedures that influenced our audit strategy. The significant risks identified are:

- Risk of fraud in revenue and expenditure recognition

In our Audit Plan we set out that this risk is focused around those items of income and expenditure which are non-routine and involve more management estimation and judgment such as year-end income and expenditure accruals and provisions. We have carefully considered the revenue and expenditure streams of the Council and considered each against the risk of fraud in revenue and expenditure recognition. In making this assessment, we have considered:

- Our assessment of the control environment at Welwyn Hatfield Borough Council relevant to opportunities and incentives to commit revenue recognition fraud
- The statutory framework in place to regulate local government finance
- The nature of the financial regime established in local government
- The nature of the financial transactions undertaken by Welwyn Hatfield Borough Council, and whether these present both the opportunity and incentive to engage in material revenue manipulation

Having considered each of the streams, we have concluded that, in view of our understanding of the revenue and expenditure streams, the risk of material misstatement arising from inappropriate revenue recognition has a low likelihood of occurrence and is unlikely to be of a size which would be material to the users of the financial statements. We have therefore rebutted the risk of fraud in revenue and expenditure recognition. We will keep this assessment under review and report to you any changes to this assessment.

- Management override

We have considered generic risk factors that could indicate how specific risks of management override manifests itself at the Council, such as the financial position and historic performance against budget. We have also considered the specific additional risks of management override as they relate to local government accounts. Based on our consideration of the key areas susceptible to management override we have concluded that the area that management have the greatest opportunity to override controls is within non system accruals where judgements and estimates are made.

We will update the Audit Committee with our findings in our Audit Results Report in July 2018.

Other areas of audit focus

As set out in the Audit Plan, we have identified areas that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report. These are:

- Valuation of land and buildings
- Pension liabilities
- Early closedown of accounts

In order to facilitate the earlier statutory deadline for the audit of the financial statements, we agreed with the Council a range of early substantive testing to be undertaken in February. We have completed work in the following areas:

- Month 9 data analytics – the Council provided M9 data analytics for the general ledger and payroll that we used to undertake early testing. We have identified that the data analytics information requires better mapping which the Council is working on with the EY data analytics team. Due to the workload of the finance team on budget and council tax setting, the data was not delivered to the EY analytics team on the agreed date which had some implications on our ability to complete the testing planned. Both the audit team and finance team are committed to work together to ensure requirements and timescales are clear on both sides.
- Substantive analytical reviews for council tax and non-domestic rates
- Precepts testing
- Expenditure testing – evidence has been supplied for 49 of 54 items. These have been reviewed by the audit team and follow up queries sent to the finance team where appropriate
- Income testing – evidence has been supplied and is awaiting review by the audit team
- Leases - evidence has been supplied and is awaiting review by the audit team
- Journals – analysis completed to month 9
- Pension disclosures – work started
- Accumulated Absence reserve
- Members allowances
- Significant contract review

The audit team and the finance team will continue to work together to bring work forward, reducing pressure on both teams at the year-end audit. Key areas to consider are:

- Property, plant and equipment – additions and disposals
- Property, plant and equipment - information to support existence testing
- Property, plant and equipment – information to support valuations testing
- Grant income – evidence to support
- Draft accounting policies and various disclosure notes that can be drafted early

We have completed our walkthroughs of the Council's material financial systems which has confirmed our understanding of the systems in place at the Council.

We will be undertaking our audit of the draft financial statements in May/June 2018 and will report our findings in our Audit Results Report to the July Audit Committee.

Audit Committee Briefing

Our Audit Committee Briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the local government sector and the audits that we undertake.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to new and existing local government bodies.

The current briefing was circulated to members outside of the meeting. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.

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