



Welwyn Hatfield Borough Council
Audit Committee

2020/21 Internal Audit Plan Report

19 March 2020

Recommendation

Members are recommended to approve the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2020/21

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1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Welwyn Hatfield Borough Council (the Council) 2020/21 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 June 2019 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 and revised on 1 April 2018. An updated version of the SIAS Audit Charter will be brought to the June 2019 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:

- a) Key committee reports at each client and identifies emerging risks and issues.
- b) The professional and national press, as well as thought leadership 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 2020/21 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 2020/21 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

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:

- Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact on their local economies and any direct investments of their own.

- Service demands continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
 - Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
 - Major national programmes in areas like business rates, public health and housing mean the overall financial environment remains relatively unstable.
- 2.5 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter 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 leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2020/21

- 2.7 The draft plan for 2020/21 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 2020/21 has reduced by 5 days, which for Welwyn Hatfield Borough Council equates to a reduction from 310 days (in 2019/20) to 305 days (in 2020/21).

2.8 The table below shows the estimated allocation of the total annual number of purchased audit days for the year and the corresponding allocated budgets for 2018/19, as also reported to Audit Committee on 21 March 2018. This is for comparison and to demonstrate where the audit days saving has been achieved.

	2020/21 Days	%	2019/20 Days	%
Key Financial Systems	70	23	62	20
Corporate Audits	30	10	65	20.5
Operational Audits	107	35	75	24
Procurement / Contracts	10	3	18	6
IT Audits	30	10	22	7
Consultancy	0	0	5	2
Joint Reviews and Shared Learning	5	1.5	5	2
Strategic Support*	43	14	43	13.5
Contingency and other	5	1.5	3	1
Carry forward work	5	1.5	12	4

Total allocated days	305	100%	310	100%
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* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2021/22.

- 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 2019/20. 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 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 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 2020/21 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 of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%

3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. 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
6. 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 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Start Quarter
Financial Audits				
Business World (Financial System)	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) System Access; b) Authorisations; c) Reconciliations; d) Supplier Accounts; e) Reporting.	Audit Sponsor: Head of Resources Key Contact: Financial Transactions Team Leader	15	3
Treasury Management	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) Treasury Management Strategy; b) Investments and Borrowing; c) Counterparties; d) Reporting.	Audit Sponsor: Head of Resources Key Contact: Financial Transactions Team Leader	8	3
Payroll	Given the change in system arrangements, the audit will seek to provide assurance over the following risk areas: a) Realisation of Benefits; b) System access; c) Starters, Leavers and Amendments; d) Expenses, Overtime and Additional Payments; e) Pay Run and Third-Party Payments	Audit Sponsor: Head of Resources Key Contact: Financial Transactions Team Leader	12	3
Revenues	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) Discounts, Exemptions and Reliefs (mandatory and discretionary); b) Systems Access; c) Recovery and Collection of Arrears.	Key Contact: Head of Resources Key Contact: Client Support Services Manager	15	3
Benefits	A full audit is scheduled with areas of coverage potentially including: a) Policies, procedures and set-up of standing data,	Key Contact: Head of Resources	10	3

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Start Quarter
	<ul style="list-style-type: none"> b) Assessments and backdating, c) Payments, d) Recovery of Overpayments, e) Reconciliations, f) Performance Monitoring, and g) Security of Data. 	<p>Key Contact: Client Support Services Manager</p>		
Housing Rents	<p>To provide assurance that the following high-risk areas are sufficiently controlled:</p> <ul style="list-style-type: none"> a) Annual rent setting is approved and completed in a timely manner, b) Rent arrears are actively pursued and written off where necessary, c) Rent arrears are effectively monitored and reported. 	<p>Audit Sponsor: Head of Housing Operations</p> <p>Key Contact: Income and Home Ownership Manager</p>	10	3
Corporate Audits				
Housing Development Company	<p>To provide assurance over risks relating to the governance arrangements in place for the newly formed Housing Development Company. This will include the decision-making structures, board structures (including Non-Executives) and the initial set-up of the company.</p>	<p>Audit Sponsor: Corporate Director (Housing and Communities)</p> <p>Key Contact: Corporate Director (Housing and Communities)</p>	15	1
Absence Management	<p>To provide assurance over the arrangements to manage absences across the Council. This may include the following areas:</p> <ul style="list-style-type: none"> a) Policy; 	<p>Audit Sponsor: Head of Administration and Law</p> <p>Key Contact:</p>	15	2

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Start Quarter
	b) Consistency of management; c) Reporting; d) Referrals to Occupational Health.	HR Manager		
Operational Audits				
Independent Living Service	To provide assurance that robust arrangements are in place for income collection and cash handling, maintenance programmes for community buses are sufficient and health and safety responsibilities are supported by evidence. In addition, where time allows, a service review will be undertaken including a review of the allocation process.	Audit Sponsor: Head of Housing Operations Key Contact: Head of Housing Operations	12	1
Housing Land Supply	To provide assurance that the following risk is adequately controlled: The Council does not identify a five-year housing supply which cause their planning decisions powers to be revoked. This may result in unwanted development that is not in keeping with the Local Plan (once approved).	Audit Sponsor: Head of Planning Key Contact: Planning Policy and Implementation Manager	10	2
Council Website	The Council recently launched an updated Council website and created a new Council run news website, One Welwyn Hatfield. This audit has been included to provide assurance over the achievement of benefits from the project to upgrade the website. In addition, assurance will be provided over the risk management of the project and the progress of any actions resulting from the accessibility standards compliance review.	Audit Sponsor: Head of Policy and Cultural Services Key Contact: Policy and Communications Manager	15	4
Responsive Repairs	To provide assurance that the arrangements are in place to ensure that repairs are authorised, are appropriate for the reported issue and provide value for money. In addition, contractor performance is monitored and reported, with any performance issues being resolved with the contractor.	Audit Sponsor: Head of Property Services Key Contact:	10	1

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Start Quarter
		Commercial Manager		
Lone Worker Devices	Following the introduction of a new Council-wide solution to monitor the safety of lone workers, this audit will provide assurance that the new system has been successfully implemented and that the benefits have been measured. The devices are consistently used, including assessment of alternative arrangements that may be in place.	Audit Sponsor: Head of Public Health and Protection Key Contact: Risk and Resilience Manager	10	4
Regulating Private Housing	To provide assurance that adequate controls are present and operating effectively with respect to the risks relating to case management and issue resolution. In addition, the audit will include an assessment of the operating model to deliver the service and provide assurance over the adequacy of such arrangements.	Audit Sponsor: Head of Community and Housing Strategy Key Contact: Private Sector Housing Manager	10	1
Food Safety	To provide assurance that the inspection regime is operating effectively, risk assessments are completed, revisits are carried out where necessary and the authorisation given to officers is suitable in line with competency and job role.	Audit Sponsor: Head of Public Health and Protection Key Contact: Environmental Health Team Leader	10	1
Corporate Property Asset Management	To provide assurance that sufficient controls exist and are operating effectively to allow the Council to meet its statutory obligations including record keeping and audit trails, monitoring and maintenance arrangements.	Audit Sponsor: Head of Resources Key Contact: Service Manager (Building Services)	10	2
Right to Buy Pooling	To provide assurance that there are robust procedures in place to ensure accurate forecasting. Controls surrounding the use of pooled income and	Audit Sponsor: Head of Resources	10	2

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Start Quarter
	the production of quarterly information to S151 and Members are sufficiently robust.	Key Contact: Senior Finance Business Partner		
Climate Change and Sustainability	<p>The audit will provide assurance on the Council's climate change credentials. This may include:</p> <ul style="list-style-type: none"> a) Climate change strategy and policy; b) Accuracy of reporting data against targets, stated aims and objectives; c) Energy management. <p>An audit will also be carried out at other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing a wider level of assurance and sharing any learning across Hertfordshire.</p>	<p>Audit Sponsor: Corporate Director (Resources, Environment and Cultural Services) and Corporate Director (Planning, Public Protection and Governance)</p> <p>Key Contact: Head of Planning, Head of Environment and Head of Public Health and Protection</p>	8	2
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.	<p>Audit Sponsor: Head of Resources</p> <p>Key Contact: Private Sector Housing Manager / Assistant Business Partner (Finance)</p>	2	2
Contract / Procurement Audits				
Streetscene Contract	To provide assurance that suitable contract management arrangements exist for the monitoring and management of the new Streetscene Contract,	Audit Sponsor: Head of Environment	10	4

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Start Quarter
Management	including (but not limited to) issue resolution, access to management information, performance management, reporting arrangements and contractor liaison.	Key Contact: Community and Environmental Services Manager		
IT Audits				
GDPR	Through a health check approach, to provide assurance that arrangements are in place to allow all service areas to comply with GDPR.	Audit Sponsor: Head of Resources Key Contact: Client Support Services Manager	6	1
Disaster Recovery	To provide assurance disaster recovery plans exist, are subject to regular testing and that lessons are learned from the tests undertaken.	Audit Sponsor: Head of Resources Key Contact: Client Support Services Manager	12	2
IT Asset Management	This audit seeks to provide assurance that the Council has maintained a full and complete asset register for IT equipment. The lifecycle of hardware, including servers, tablets and laptops/PC's, has been considered in the IT Strategy and decisions making regarding replacement equipment is future focused.	Audit Sponsor: Head of Resources Key Contact: Client Support Services Manager	12	4

Title	Description	Days
Shared Learning and Joint Reviews		
Shared Learning	Production of SIAS Quarterly Shared Learning papers.	3

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21

Joint Reviews	Joint review topics to be agreed by the SIAS Board.	2
Contingency		5
Client Management – Strategic Support		
Head of Internal Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion 2018/19.	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	8
Client Meetings	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	6
Liaison with External Audit	Meetings with the Council's External Auditor, as required.	1
Progress Monitoring	Audit Plan monitoring and reporting.	8
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2021/22 Audit Planning	Provision of services to prepare, agree and report the 2020/21 Annual Audit Plan.	6
Recommendations Follow Ups	Quarterly follow up of recommendations in line with Audit Committees.	6
Completion of outstanding 2019/20 projects		5

APPENDIX B – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21 – RESERVE LIST

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Affordable Housing	To provide assurance over the effectiveness and implementation of the Council's affordable housing strategy and plans.	Audit Sponsor: Head of Community and Housing Strategy	10
Community Infrastructure Levy	To provide assurance over the arrangements in place to manage exemptions from CIL, identification of liability and charging regimes are sufficient and accurate.	Audit Sponsor: Head of Planning	10
GLL Contract Management	To provide assurance that the contract management activities in respect to GLL contract are complete and robust. Scope may include contractor relationships, performance monitoring, value for money or risk assessment.	Audit Sponsor: Head of Policy and Culture	10
Right to Buy	To provide assurance that the Council have robust arrangements in place to comply with statutory timeframes and that effective policy and procedures are in place to manage the all aspect of right to buy. This audit will exclude assurance on right to buy pooling.	Audit Sponsor: Head of Housing Operations	12
Constitution Review	To provide assurance that the outcomes from the constitution review have been actioned and implemented.	Audit Sponsor: Head of Administration and Law	10

APPENDIX B – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2020/21 – RESERVE LIST

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Housing Development Company	Absence Management	Business World (Financial System)	Council Website
Independent Living Service	Housing Land Supply	Treasury Management	Lone Worker Devices
Responsive Repairs	Right to Buy Pooling	Payroll	Streetscene Contract Management
Food Safety	Disaster Recovery	Revenues	IT Asset Management
GDPR	Corporate Property Asset Management	Benefits	Climate Change and Sustainability
Regulating Private Housing	DFG Grant Certification	Housing Rents	
2019/20 Projects requiring completion			