



Welwyn Hatfield Borough Council

Audit Committee Progress Report

28 September 2020

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 11 September 2020 and
- Note the implementation status of internal audit recommendations and the management response.

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1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2020/21 as at 11 September 2020.
 - b) Details of changes to the planned start dates of audits from the approved 2020/21 Audit Plan.
 - c) Proposed amendments to the 2020/21 Annual Audit Plan report.
 - d) The implementation status of previously agreed audit recommendations.
 - e) An update on performance management information as at 11 September 2020.

Background

- 1.2 The 2020/21 Annual Audit Plan was approved by the Audit Committee at its meeting on 19 March 2020.
- 1.3 The Audit Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report on the delivery of the 2020/21 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 11 September 2020, 39% of the 2020/21 Audit Plan days had been delivered (the calculation excludes contingency).
- 2.2 The following 2019/20 final reports have been issued since 12 June 2020 (cut-off date for the SIAS Update Report for 25 June 2020 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Homelessness Reduction Act	August 2020	Satisfactory	2 Medium, 2 Low
Business World	August 2020	Satisfactory	3 Medium, 1 Low

- 2.3 The following 2020/21 final report have been issued since 12 June 2020 (cut-off date for the SIAS Update Report for 25 June 2020 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Disaster Recovery	September 2020	Good	2 Low
Responsive Repairs	August 2020	Satisfactory	2 Medium, 1 Low

Changes to Projected Audit Start Dates

- 2.4 To help the Committee assess progress in delivering the 2019/20 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

- 2.5 At the start of the financial year, Council and SIAS resources were focused on responding to the COVID-19 pandemic. As a result, there have been some delays in progressing the 2020/21 audit plan (delays to the 2020/21 audit plans were experienced across all SIAS partners). As a result of the loss of available time to deliver the originally agreed plan, the SIAS Board agreed to a reduction in the total number of planned days across the partnership, this amounted to 26 days for Welwyn Hatfield Borough Council. The following changes were agreed with management and are proposed to this committee:

- a) Food Safety (10 days) – **Audit Cancelled** – as a result of officer availability to support this audit given the ongoing pressure within the service area. This audit will be considered for inclusion in the 2021/22 audit plan;
- b) Joint Reviews and Shared Learning (5 days) – **Cancelled** – allocation of planned days to be removed from the plan in agreement with SIAS Board to suspend these activities allowing time to be spend on assurance activities;
- c) Contingency (5 days) – **Removed** – allocation for contingency to be removed from the plan;
- d) Treasury Management (1 day) – **Day Reduction (8 to 7 days)** – reduced the budget for this audit by 1 day;
- e) Climate Change and Sustainability (1 day) – **Day Reduction (8 to 7 days)** – reduced the budget for this audit by 1 day. This project is being delivered at all SIAS District and Borough partners and this change brings the number of days in line with the other partners;
- f) Finalisation of 2019/20 Projects (3 days) – **Day Reduction** – reduced the number of days required for completing 2019/20 projects as performance in 2019/20 exceeded planned delivery at year end;
- g) Recommendations Follow Up (1 day) – **Day Reduction** – reduced the budget for follow ups to reflect the reduction in follow up required during Q1 and Q2.

- 2.6 The impact of the above changes means that the total number of days to be delivered is 279 days, reduced from 305 as originally approved by this Committee in March 2020. In making the above changes, the planned audit projects have been safeguarded and only one assurance project has been removed from the plan to ensure that assurance opinions provided to the Council for this financial year are well informed.

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. It is Internal Audit's responsibility to bring to Members' attention the non-implementation of high priority recommendations. It is the responsibility of officers to implement the recommendations by the agreed date.
- 2.8 There are no high priority recommendations that remain outstanding and we have not made any new high priority recommendations during 2020/21.

Medium Priority Recommendations

- 2.9 From 1 April 2019, SIAS has assumed responsibility for the co-ordination of following up the implementation status of Internal Audit medium priority recommendations from the Council's Principal Governance Officer. Internal Audit has worked with Council management to develop a database of audit recommendations, regardless of the recommendation priority, to monitor the implementation status and progress to date. It has been agreed with Council management that SIAS will follow up all recommendations made since 1 April 2018.
- 2.10 Appendix C details the implementation status of all 'Medium' priority recommendations that have not been fully implemented by the original target date, or for which no management response has been received at the date of this report. Appendix C has been abridged to fit this Progress Report, and the full database is maintained on a shared drive. This can be supplied by Council management on request, should it be required. Typically, a summary of the status of all 'Medium' priority recommendations is set out in a table, however there are no medium recommendations that have reached their targets dates prior to this Committee.

Performance Management

- 2.11 Performance indicators and associated targets are approved by the SIAS Board on an annual basis. As at 11 September 2020, actual performance for Welwyn Hatfield Borough Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target to 11 September 2020	Actual to 11 September 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	48% (133 / 279 days)	39% (109.5 / 279 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	36% (8 / 22 projects)	18% (4 / 22 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 surveys returned at satisfactory level out of 4 issued)
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A (None made)

2.12 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported in the 2020/21 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 first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2020/21 ANNUAL AUDIT PLAN AS AT 11 SEPTEMBER 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	C RECS	H RECS	M RECS	L RECS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Key Financial Systems									
Business World (Financial System)						15	Yes	0	
Housing Benefit						10	Yes	0	
Housing Rents						10	Yes	0	
Payroll						12	Yes	0	
Revenues						15	Yes	0	
Treasury Management						7	Yes	0	
Corporate Audits									
Absence Management						15	Yes	14.5	Draft Report Issued
Housing Development Company						15	Yes	3	In Fieldwork
Operational Audits									
Building Services Asset Management						10	Yes	6	In Fieldwork
Climate Change and Sustainability						7	Yes	0	
Council Website						15	Yes	0	
DFG Grant Certification						2	Yes	0.5	In Fieldwork
Food Safety						0	Yes	0	Cancelled
Housing Land Supply						10	Yes	3	In Fieldwork
Independent Living Service						12	Yes	10.5	In Fieldwork
Lone Worker Devices						10	Yes	0	
Regulating Private Housing						10	Yes	9.5	Draft Report Issued
Responsive Repairs	Satisfactory	0	0	2	1	10	Yes	10	Final Report Issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	C RECS	H RECS	M RECS	L RECS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Right to Buy Pooling						10	Yes	5	In Fieldwork
Procurement / Contracts									
Street Scene Contract Management						10	Yes	0	
IT Audits									
Disaster Recovery	Good	0	0	0	2	12	Yes	12	Final Report Issued
GDPR						6	Yes	5	In Fieldwork
IT Asset Management						12	Yes	7	In Fieldwork
Shared Learning and Joint Reviews									
Joint Reviews						0		0	Cancelled
Shared Learning						0		0	Cancelled
Contingency & Ad Hoc Activity									
Contingency & Ad Hoc Activity						0		0	
Strategic Support									
Head of Internal Audit Opinion 2019/20						3		3	Complete
Audit Committee						8		4	Through Year
Client Meetings						6		3	Through Year
Liaison with External Audit						1		0	
Progress Monitoring						8		4	Through Year
SIAS Development						5		5	Complete
2021/22 Audit Planning						6		0	
Recommendations Follow						5	Yes	2.5	Through Year

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AUDITABLE AREA	LEVEL OF ASSURANCE	C RECS	H RECS	M RECS	L RECS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Up									
2019/20 Projects requiring completion									
Finalisation of Projects						2	Yes	2	Complete
Total – Welwyn Hatfield B.C.		0	0	2	3	279		109.5	

APPENDIX B – 2020/21 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

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

APPENDIX C – STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS MADE SINCE 1 APRIL 2018

No medium priority recommendations have reached their target dates (or revised target dates) during this follow up cycle.

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2020/21

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

Priority Level	Definition
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.
High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
Low / Advisory	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.