



Welwyn Hatfield Borough Council  
Audit Committee  
Internal Audit Progress Report  
17 October 2016

Recommendation

Members are recommended to note the  
Internal Audit Progress Report and approve  
amendments to the Audit Plan as at  
26 September 2016

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# 1 Introduction and Background

## Purpose of Report

- 1.1 To provide Members with:
- a) the progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2016/17 Internal Audit Plan as at 26 September 2016,
  - b) the findings for the period 11 July 2016 to 26 September 2016
  - c) the details of changes to the planned start dates of audits from the approved 2016/17 Audit Plan,
  - d) the proposed amendments required to the approved 2016/17 Audit Plan, and
  - e) an update on performance management information as at 26 September 2016.

## Background

- 1.2 Internal Audit's Annual Plan for 2016/17 was approved by the Audit Committee at its meeting on 21 March 2016.
- 1.3 The Audit Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 25 July 2016.
- 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 function 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 26 September 2016, 38% of the 2016/17 Audit Plan days had been delivered (calculation excludes contingency). Appendix A provides a status update on each individual deliverable within the audit plan.
- 2.2 The following reports and assignments have been issued or completed in the period since the previous Audit Committee on 25 July 2016:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
<b>2016/17 Audit Plan</b>			
Hatfield 2030 – Project Account 2016/17	21 July 2016	Unqualified Opinion	1 Medium 1 Merits Attention
Enforcement	26 September 2016	Substantial	None
Disabled Facilities Capital Grant Declaration	30 September 2016	Unqualified Opinion	None

- 2.3 A summary is provided below of the recommendations made within the above reviews.

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
<b>Hatfield New Town Renewal Framework - Project Account 2016/17</b>	<b>Partnership Agreement (Medium Priority)</b> – In the event that future phases of the project require additional funding from partners the use of more formal funding agreements should be considered, thereby providing increased certainty over future project funding and contributions due from each partner. The above agreements should also include relevant details over the financial governance arrangements for the project.	<b>Agreed – December 2016</b>
	<b>Financial Information (Merits Attention Priority)</b> – Consideration should be given to providing additional financial information to the Board concerning project budgets, profiles and variances. This will assist in the financial management of the project.	<b>Agreed – December 2016</b>

- 2.4 One unplanned review has been completed during this reporting period relating to the certification of the Disabled Facilities Capital Grant return.
- 2.5 In respect of other audits, the review of Business Rates (NDR) is at quality review stage and a further four audits are currently in fieldwork (see Appendix B for details). Planning has also commenced on a further five audits in line with the schedule of audit start dates detailed within Appendix B.

#### Changes to Projected Audit Start Dates

- 2.6 To help the Committee assess the current situation in terms of progress against the projects in the 2016/17 Audit Plan, Appendix B of this report provides an analysis of agreed start dates. These dates have been agreed with management and resources allocated accordingly. This is designed to facilitate smoother delivery of the audit plan through the year.
- 2.7 It is proposed that the audit of Treasury Management is postponed until October to allow the audit of the payroll system to be brought forward to facilitate its completion before staff changes within the Finance team at the Council.

#### Proposed Audit Plan Amendments

- 2.8 There is one proposed audit plan amendment within this reporting period and this relates to the Head of Assurance certification of the 2015/16 Disabled Facilities Capital Grant return.
- 2.9 It is a requirement of the grant determination for this particular funding stream that the Chief Executive and Chief Internal Auditor of each of the recipient authorities sign and return a declaration to the Department for Communities and Local Government. This confirms that the grant has been used in accordance with the grant conditions and is required to be returned by the 30<sup>th</sup> September 2016. As stated in paragraph 2.2 this work has now been completed.
- 2.10 As the Council had no remaining contingency days within the 2016/17 plan, two days were taken from the ad hoc advice allocation to allow this work to be completed.

#### High Priority Recommendations

- 2.11 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.

- 2.12 The Council's Principal Governance Officer is responsible for following up the implementation status of the internal audit recommendations. No new high priority recommendations have been made in 2016/17.

Performance Management

- 2.13 Performance indicators and associated targets are approved by the SIAS Board on an annual basis. The actual performance for Welwyn Hatfield against the targets that are monitored in year is set out in the table below.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target</b>	<b>Actual to 26 September 2016</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed	95%	42%	38%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	39%	30% (7 out of 23)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%*
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	N/a – No High Priority Recs Currently Made

\* Client Satisfaction score based on 3 questionnaires received relating to 15/16 audits

**2016/17 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
<b>Key Financial Systems – 70 days</b>								
Main Accounting System					6	SIAS	0.5	In planning
Debtors					8	SIAS	0.5	In planning
Creditors					8	SIAS	0.5	In planning
Treasury Management - Investments - CRSA Year 2					8	SIAS	0.5	In planning
Payroll					10	SIAS	3	In fieldwork
Council Tax					10	SIAS	5	In Fieldwork
NDR					10	SIAS	8	Quality Review
Housing Benefits					10	SIAS	0	Allocated
<b>Operational Audits – 93 days</b>								
CCTV					10	BDO	5	In Fieldwork
Campus West					10	SIAS	7	In Fieldwork
Enforcement	Substantial	0	0	0	10	SIAS	10	Final Report Issued
Business Continuity					10	BDO	1.5	TOR issued
Disabled Facilities Grant	Substantial	0	0	2	10	SIAS	10	Final Report Issued
Streetscene Client	Substantial	0	1	2	10	SIAS	10	Final Report Issued
Land Charges					10	SIAS	0	Allocated

**APPENDIX A      PROGRESS AGAINST THE 2016-17 AUDIT PLAN AS AT 26 SEPTEMBER 2016**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Asset Management					10	BDO	0	Allocated
Safeguarding Part 2					10	SIAS	0	Allocated
Hatfield 2030 Project	N/A	0	1	1	3	SIAS	3	Final Report Issued
DFG Capital Grant Certification	N/A	0	0	0	2	SIAS	2	Final Report Issued
<b>Procurement – 5 days</b>								
Procurement					5	SIAS	2	In Fieldwork
<b>Local Reviews – 5 days</b>								
Audit recommendations follow up					5	SIAS	1	As required
<b>Shared Learning – 5 days</b>								
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	0.5	Through Year
Audit Committee Workshop					1	SIAS	0	Allocated
Joint Review – topic to be confirmed					5	SIAS	0	Allocated
<b>Risk Management and Governance – 10 days</b>								
Risk Management					5	SIAS	0	Allocated
Corporate Governance					5	SIAS	0	Allocated
<b>Ad Hoc Advice – 5 days</b>								
Ad Hoc Advice					3	SIAS	1	As and when required
<b>IT Audits – 20 days</b>								



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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Data Security					10	SIAS	0.5	In planning
IT Audit 2 – To be confirmed					10	SIAS	0	Allocated
<b>Strategic Support and Contingency – 39 days</b>								
Head of Internal Audit Opinion 15/16					5	SIAS	5	Complete
Audit Committee					8	SIAS	4	Quarterly
External Audit Liaison					4	SIAS	2	On-going
Monitoring & Client Liaison					10	SIAS	6	On-going
SIAS Development					5	SIAS	2	On-going
2016/17 Audit Planning					5	SIAS	0	Allocated
<b>Contingency – 5 days</b>								
Contingency					0	SIAS	0	
<b>15/16 Projects requiring completion- 5 days</b>								
Facilities Management		0	3	3	2	SIAS	2	Final Report Issued
<b>WHBC TOTAL</b>		<b>0</b>	<b>5</b>	<b>8</b>	<b>260</b>		<b>97.5</b>	

**APPENDIX B 2016/17 AUDIT PLAN PROJECTED START DATES**

Apr 16	May 16	Jun 16	July 16	Aug 16	Sept 16	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17
Enforcement – <b>Final Report Issued</b>		Procurement – In Fieldwork	Council Tax- In Fieldwork	Payroll - In Fieldwork	Main Accounting – In Planning	Treasury Management In Planning	Land Charges	Housing Benefits	Asset Management	Safeguarding Part 2	
Disabled Facilities Grant- <b>Final Report Issued</b>			Non Domestic Rates – Quality Review		Debtors – In Planning	Business Continuity – TOR issued	Risk Management	Second IT audit	Corporate Governance		
Streetscene Client – <b>Final Report Issued</b>			CCTV- In Fieldwork		Creditors– In Planning	Data Security – In planning					
Hatfield 2030 – <b>Final Report Issued</b>					Campus West – In Fieldwork						
					Disabled Facilities Grant Claim – <b>Completed</b>						

**Note:** The above schedule is considered as the agreed plan for the audit year. Changes to planned dates within this progress reporting period are highlighted in grey and further details are provided within section 2.6 of the progress report.

## APPENDIX C – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITIES

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<b>Levels of assurance</b>	
<b>Full Assurance</b>	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.
<b>Substantial Assurance</b>	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.
<b>Moderate Assurance</b>	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.
<b>Limited Assurance</b>	There are significant weaknesses in key control areas, which put the system objectives at risk.
<b>No Assurance</b>	Control is weak, leaving the system open to material error or abuse.

<b>Priority of recommendations</b>	
<b>High</b>	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
<b>Medium</b>	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
<b>Merits Attention</b>	There is no significant weakness, but the finding merits attention by management.