



Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
3 April 2017

Recommendation

Members are recommended to note the
Internal Audit Progress Report and approve
amendments to the Audit Plan as at
10 March 2017

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1. Introduction and Background

Purpose of Report

- 1.1 Since the January 2017 meeting of the Audit Committee, the Council's Community Housing Trust has ceased to exist as a separate entity and its functions have been reintegrated into the Council.
- 1.2 To reflect this change, the agreed audit plans for the Council and the Housing Trust have been combined to give a total number of planned days of 350. Entries relating to the former housing trust are shown in italics for ease of identification. (See Appendix A)
- 1.3 This report provides Members with details of:
 - a) the progress made by the Shared Internal Audit Service (SIAS) in delivering the combined Council and Housing Trust 2016/17 Internal Audit Plans as at 10 March 2017;
 - b) findings for the period 19 December 2016 to 10 March 2017;
 - c) details of changes to the planned start dates of audits from the approved 2016/17 Audit Plan of which there are none this period;
 - d) proposed amendments to the approved 2016/17 Council Audit Plan;
 - e) an update on performance management information as at 10 March 2017.

Background

- 1.4 Internal Audit's 2016/17 Annual Plan for the Council was approved by the Audit Committee at its meeting on 21 March 2016. The approved plan for the Housing Trust was agreed by its Finance & Audit Committee on 16 March 2016.
- 1.5 The Audit Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 16 January 2017. Update reports of a similar nature were provided to the Trust's Finance & Audit Committee.
- 1.6 Internal Audit 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 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 10 March 2017, 87% of the combined 2016/17 Audit Plan days had been delivered (calculation excludes contingency). Appendix A provides a status update on each individual deliverable.
- 2.2 The following reports have been completed in the period since the January Audit Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
2016/17 Audit Plan			
Council Tax	February 2017	Full	No recommendations made
Main Accounting System	February 2017	Substantial	2 Medium priority
Housing Benefits	February 2017	Full	No recommendations made
CCTV	February 2017	Moderate	3 Medium Priority 2 Merits Attention
Campus West	January 2017	Substantial	No recommendations made
Business Continuity	November 2016	Substantial	2 Medium 5 Merits Attention
Creditors	March 2017	Substantial	1 Medium 1 Merits Attention
Debtors	March 2017	Substantial	2 Medium 2 Merits Attention

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

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Main Accounting System	<p>Processing of Journals and Virements</p> <p>A pro-forma email or virement transfer form should be completed when a budget manager wishes to make a virement transfer.</p>	In the short term, a standard template will be produced with clear authorisation

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	<p>This will align the Finance Team's procedures to the corporate financial regulations.</p> <p>A finance manager or team leader should authorise each journal over £500,000 with this authorisation recorded.</p>	<p>approval logged and documented. (April 2017)</p> <p>As part of the Agresso upgrade better use of documented authorisation functionality will be investigated and actioned if implementable. (December 2017)</p>
CCTV	<p>Privacy Impact Assessments (PIAs)</p> <p>The Council should conduct PIAs for its three CCTV systems and implement the Code of Practice designed by the Information Commissioner's Office (ICO.) The Council should also decide the frequency with which PIAs should be completed or reviewed.</p> <p>Rules, Policies and Procedures</p> <p>The Council should develop a policy for its CCTV systems and make it available to relevant staff.</p> <p>Completion of the self-assessment toolkit</p> <p>The Council should update the self-assessment toolkit in consultation with the Car Parking and Cemetery Service Manager and the Electrical Surveyor.</p>	<p>Whilst the Council believes that this is a non-statutory requirement, it accepts that it represents best practice and this action will be taken forward by the CCTV working group. (July 2017)</p> <p>The CCTV working group will oversee the development of a Policy document. (July 2017)</p> <p>The toolkit will be updated as required. (July 2017)</p>
Business Continuity	<p>Service Level and Departmental Business Continuity Plans (BC plans)</p> <p>Outstanding service business continuity plans should be reviewed and updated.</p>	<p>Agreed N.B. a plan is not immediately unfit for purpose once its review date has passed. (April 2017)</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	<p>i. Revision and version control information should be completed for all plans to ensure an appropriate audit trail of amendments is retained.</p> <p>ii. Evidence of future approvals of BC plans should be retained and included within all plans.</p> <p>iii. All service levels/departments should ensure they are using the latest service level BC plan.</p> <p>iv. The template should be revised to incorporate an area for recording the maximum tolerable period of disruption (MTPD).</p> <p>v. As per the BC Policy, the Heads of Service should ensure that BC Plans are reviewed annually.</p> <p>Testing of the Business Continuity Plan</p> <p>Once the Plan has been finalised it should be tested as soon as practically possible to ensure that the BC arrangements in place remain effective given the changes in the organisation.</p>	<p>Agreed (April 2017)</p> <p>Agreed (April 2017)</p> <p>Agreed – a new template is to be rolled out. (February 2017)</p> <p>The critical figure within the plan is the recovery time objective (which is included), rather than the MTPD. However, the new plan template will include both figures. (February 2017)</p> <p>Agreed. (February 2017)</p> <p>An exercise is scheduled for January 30th 2017 for the current plans and a further exercise will be scheduled once a revised suite of plans is in place. (January 2018)</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Creditors	<p>Ordering goods, receipting and invoice processing</p> <p>Purchase orders (POs) should be raised prior to orders being placed with suppliers with departments reminded of the need to raise POs in a timely fashion.</p> <p>In instances where orders have been raised retrospectively, the reason for this should be investigated and recorded with appropriate action taken against individuals and departments who consistently fail to raise POs at the correct stage of the process.</p> <p>Reconciliations</p> <p>Reconciliations performed for the period April 2016 to August 2016 should be reviewed to confirm that they have been completed correctly and all values are supported.</p> <p>An independent review process for monthly reconciliations should be implemented.</p>	<p>This will be covered under the closedown 2016/17 training w/c 20th March.</p> <p>If possible, the Agresso upgrade in 2017 will be used for quarterly checks on PO dates vs invoice dates with investigation particularly where POs dates were set up after invoice date. Training will be provided as required. (From 1st April 2017)</p> <p>A process of reconciliations submission to the Finance Manager for sign off has been initiated and P10 (cumulative) recently signed off as fully reconciled. As these are cumulative we will not be undertaking reconciliations prior to September 2016.</p> <p>Target date is sign off within 5 working days of month end. From 1st April 2017.</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
Debtors	<p>Timeliness of invoice raising</p> <p>All departments should be reminded to raise invoices in a timely manner. Invoices should make reference to the date of work performed on the invoice.</p> <p>Department heads should formally agree the process and timeframes for raising invoices for work/services provided and communicate these timeframes to the finance team.</p> <p>The finance team should undertake periodic spot checks of a sample of debtor invoices across all departments to monitor both timeliness and information recorded on invoices.</p> <p>Data Cleansing</p> <p>The Council should implement a periodic cleansing process to remove out of date records from the debtor database.</p>	<p>This will be covered under the closedown 2016/17 training w/c 20th March.</p> <p>Most debtors are known areas and are programmed into the debtors planning for the year quarterly/monthly). Ad hoc debtors are far more difficult to proactively judge.</p> <p>At present resources are deployed to chase debts to meet the 33 day target, once that is met a process of monitoring will be implemented quarterly. From 1st April 2017</p> <p>A cleansing exercise will be undertaken as soon as possible. We do not expect this to be considerable as data is updated ad hoc but we accept a full cleanse is good practice. From 1st April 2017</p>

- 2.4 In respect of the Campus West audit, a weakness in control was identified in the, 'Refunds and control and approval of discounts, exemptions and reductions to standard charges' assurance area with Sales Assistants working in the Box Office having permissions to process refunds without the need for authorisation from a member of the senior management team. There is no maximum limit set for such refunds. To compensate for this absence of management approval, the senior management team receive regular refund reports with unusual entries investigated.
- 2.5 Control enhancements were discussed with the General Manager who stated that he accepts the associated inherent risks in the current controls and proposes to make no changes.

Changes to Projected Audit Start Dates

- 2.6 To help the Committee assess progress in delivering the 2016/17 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.
- 2.7 There are no changes to start dates to report to this Committee.

Proposed Amendments to Audit Plan

- 2.8 In line with good practice requirements, the following proposed amendments to the agreed annual audit plan are brought to the attention of this Committee:
- Safeguarding (included on both the Council's and Housing Trust's audit plans for 2016/17)

An audit will be carried out in 2017/18 and will focus on the newly implemented arrangements for safeguarding.

- Corporate Governance (included on both the Council's and Housing Trust's audit plans for 2016/17)

This audit will be carried out in 2017/18 and will focus on assessing the effectiveness of the Council's governance arrangements and senior management processes following the transfer of the housing trust back to the Council.

- Audit Committee Workshop (included on the Council audit plan for 16/17 only)

A workshop was not carried out in 2016/17.

- 2.9 The combined impact of the above deferrals and the previous cancellation of the second IT audit at both the Council and the Trust has resulted in an outstanding contingency at year end of 54 days.

High Priority Recommendations

- 2.10 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.
- 2.11 The Council’s Principal Governance Officer is responsible for following up the implementation status of internal audit recommendations.
- 2.12 No new high priority recommendations have been made since the last committee.

Performance Management

- 2.13 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.

Performance Indicator	Annual Target	Profiled Target	Actual to 10 March 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	88%	87%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	86%	83%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100%*
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (One high priority recommendation raised to date.)

* Client Satisfaction score based on 9 questionnaires received relating to 16/17 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				
Key Financial Systems – 90 days								
Main Accounting System *	Substantial	0	2	0	10	SIAS	10	Final Report Issued
Debtors *	Substantial	0	2	2	10	SIAS	10	Final Report Issued
Creditors *	Substantial	0	1	1	10	SIAS	10	Final Report Issued
Treasury Management - Investments - CRSA Year 2					8	SIAS	7.5	Draft Report Issued
Payroll *	Substantial	0	2	1	12	SIAS	12	Final Report Issued
Council Tax	Full	0	0	0	10	SIAS	10	Final Report Issued
NDR	Full	0	0	0	10	SIAS	10	Final Report issued
Housing Benefits	Full	0	0	0	10	SIAS	10	Final Report Issued
<i>Housing Rents</i>	<i>Substantial</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>10</i>	<i>SIAS</i>	<i>10</i>	<i>Final Report Issued</i>
Operational Audits – 118 days								
CCTV	Moderate	0	3	2	10	BDO	10	Final Report Issued
Campus West	Substantial	0	0	0	10	SIAS	10	Final Report Issued
Enforcement	Substantial	0	0	0	10	SIAS	10	Final Report Issued
Business Continuity	Substantial	0	2	5	10	BDO	10	Final Report Issued
Disabled Facilities Grant	Substantial	0	0	2	10	SIAS	10	Final Report Issued

*Budgets increased to include days allocated to the Housing Trust for work in these areas – combined audit reports were issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		0	1	2				
Streetscene Client	Substantial	0	1	2	10	SIAS	10	Final Report Issued
Land Charges					10	SIAS	9.5	Draft Report Issued
Asset Management					10	BDO	2	ToR Issued
Safeguarding					0.5	SIAS	0.5	Cancelled
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
<i>Maintenance Contract</i>					8	<i>BDO</i>	7.5	<i>Draft Report Issued</i>
<i>Safeguarding</i>					0.5	<i>SIAS</i>	0.5	<i>Cancelled</i>
<i>Aids & Adaptations</i>	<i>Substantial</i>	0	1	0	8	<i>SIAS</i>	8	<i>Final Report Issued</i>
<i>Anti-Social Behaviour – Performance Management</i>					8	<i>SIAS</i>	7.5	<i>Draft Report Issued</i>
<i>Mutual Exchanges</i>					8	<i>BDO</i>	7.5	<i>Draft Report Issued</i>
Procurement – 5 days								
Procurement	Moderate	1	1	0	5	SIAS	5	Final Report Issued
Shared Learning – 7 days								
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	2	Complete
Audit Committee Workshop					0	SIAS	0	Cancelled
Joint Review – Local Trading Authority					2.5	SIAS	0.5	ToR issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
Joint Review - PREVENT					2.5	SIAS	1.0	In Fieldwork
Risk Management and Governance – 5 days								
Risk Management					5	SIAS	2	In Fieldwork
Corporate Governance					0	SIAS	0	Cancelled
<i>Risk Management & Governance</i>					0	SIAS	0	<i>Cancelled</i>
Ad Hoc Advice – 5 days								
Ad Hoc Advice					3	SIAS	2.5	As required
<i>Ad Hoc Advice</i>					2	SIAS	2	<i>Complete</i>
IT Audits – 15 days								
Data Security					10	SIAS	0.5	In Planning
IT Audit 2 – To be confirmed					0	SIAS	0	Cancelled
<i>Data Security</i>					5	SIAS	0.5	<i>In Planning</i>
<i>IT Audit 2 – To be confirmed</i>					0	SIAS	0	<i>Cancelled</i>
Contingency – 54 days								
Contingency					25.5	SIAS	0	
<i>Contingency</i>					28.5	SIAS	0	
Follow-up – 7.5 days								
Audit recommendations follow up					5	SIAS	4.5	As required
<i>Audit Recommendations follow-up</i>					2.5	SIAS	2.5	<i>Complete</i>

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
Strategic Support – 45.5 days								
Head of Internal Audit Opinion 15/16					5	SIAS	5	Complete
Audit Committee					8	SIAS	7.5	Quarterly
External Audit Liaison					4	SIAS	3	On-going
Monitoring & Client Liaison					10	SIAS	9.5	On-going
SIAS Development					5	SIAS	5	Complete
2016/17 Audit Planning					5	SIAS	5	Complete
<i>Finance & Audit Committee, Client Liaison and External Audit Liaison</i>					7.5	SIAS	7.5	<i>Complete</i>
<i>Head of Internal Audit Opinion 15/16</i>					1	SIAS	1	<i>Complete</i>
15/16 Projects requiring completion- 8 days								
Facilities Management		0	3	3	2	SIAS	2	Final Report Issued
<i>15/16 Projects requiring completion</i>					1	SIAS	1	<i>Complete</i>
WHBC TOTAL		1	19	21	360		267	

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 Final Report Issued		Procurement Final Report Issued	Council Tax Final Report Issued	Payroll Final Report Issued	Main Accounting Final Report Issued	Treasury Management Draft Report Issued	Land Charges Draft Report Issued	Housing Benefits - Final Report Issued	Asset Management In Planning	Safeguarding Cancelled	
Disabled Facilities Grant Final Report Issued		<i>Aids & Adaptations</i> Final Report Issued	Non Domestic Rates Final Report Issued		Debtors Draft report Issued	Business Continuity Final Report Issued	Risk Management In Fieldwork	Second IT audit * Cancelled	Corporate Governance Cancelled	<i>Risk Management and Governance</i> Cancelled	
Streetscene Client Final Report Issued			CCTV Final Report Issued		Creditors Draft Report Issued	Data Security * In planning	<i>Maintenance Contract</i> Draft Report Issued	<i>Key Financial Systems</i> **	<i>Mutual Exchanges</i> Draft Report Issued		
Hatfield 2030 Final Report Issued			<i>Safeguarding</i> Cancelled		Campus West Final Report Issued						
					Disabled Facilities Grant Claim Completed						
					<i>Anti-Social Behaviour</i> Draft Report Issued						
					<i>Housing Rents</i> Final Report issued						

* Joint audit of Welwyn Hatfield Borough Council and Trust arrangements

** Status as per Council Payroll, Creditors, Debtors and Main Accounting System

APPENDIX C – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITIES

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.