



Welwyn Hatfield Borough Council
Audit Committee
Internal Audit Progress Report
24 July 2017

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve amendments to the Audit Plan as at 3 July 2017.

Contents

1 Introduction and Background

1.1 Purpose

1.2 Background

2 Audit Plan Update

2.1 Delivery of Audit Plan and Key Findings

2.6 Changes to Projected Audit Start Dates

2.8 Proposed Amendments to Audit Plan

2.9 High Priority Recommendations

2.11 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:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2017/18 as at 3 July 2017.
 - b) Findings for the period 10 March 2017 to 3 July 2017.
 - c) Details of changes to the planned start dates of audits from the approved 2017/18 Audit Plan.
 - d) Proposed amendments to the approved 2017/18 Council Audit Plan.
 - e) An update on performance management information as at 3 July 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 first 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 3 July 2017, 13% 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 2016/17 final reports and assignments have been issued since our previous progress report to the committee (written on 10 March 2017):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
2016/17 Audit Plan – Audits Finalised Since 10 March 2017			
Treasury Management	March 2017	Full	No recommendations made
Risk Management	March 2017	Substantial	No recommendations made
Anti-social Behaviour (WHCHT)	March 2017	N/A Controls Advice	No recommendations made
Mutual Exchanges	March 2017	Substantial	1 Medium Priority 4 Merits Attention
Land Charges	May 2017	Moderate	2 Medium Priority 1 Merits Attention
Asset Management	July 2017	Moderate	2 Medium Priority 1 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
Mutual Exchanges	<p>Processing Applications in a timely manner</p> <p>To ensure that a mutual exchange application is completed within the 42 day statutory timescale:</p> <ul style="list-style-type: none"> a process map which includes a timeline, is developed and agreed procedure notes are developed, that reflect 	<p>Agreed - June 2017</p> <p>Agreed - May 2017</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	current arrangements, and are made available to all staff involved in the process.	
Land Charges	<p>Land Charges Register Amendment Records</p> <p>To support the data migration process to Central Land Services a record of requests made through paper records should be produced to include details of:</p> <ul style="list-style-type: none"> • the information within the amendment request • the date of the request • who made the request • the amendment that was made • the date the amendment was made • who made the amendment. <p>When the new electronic system is introduced we recommend that periodic spot checks of the records are introduced, to ensure amendments are being made correctly and in a timely manner.</p> <p>Timeliness of Amendments to Land Charges Register</p> <p>Management should Introduce an internal target for implementing the requested amendments to the land charges register and undertake periodic monitoring to determine if this target is being met. If necessary, remedial action should be taken to ensure the target is met.</p>	<p>Agreed - May 2017</p> <p>Agreed - Upon implementation of the new system</p> <p>Agreed - May 2017</p>
Asset Management	<p>Reconciliation between the fixed asset register in Agresso and the Council's property management system</p> <p>To improve audit trails and resilience, the Council should:</p> <ul style="list-style-type: none"> • create a process guide for the reconciliation process • create and retain appropriate working papers for the reconciliation between K2 and Agresso 	<p>Agreed - May 2018</p> <p>Agreed - Complete</p>

Audit Title	Control Area and Summary of Recommendations	Response / Implementation Date
	<ul style="list-style-type: none"> • train an appropriate number of staff to ensure that cover can be provided at all times 	Agreed - This is being arranged.

2.4 In total three projects remain from the 2016/17 audit plan, two of which relate to the SIAS partner joint reviews of PREVENT and Trading Activities. The remaining audit is Data Security, where a revised commencement date for the audit is currently being agreed with management.

2.5 In respect of the 2017/18 plan, audits continue to be progressed in line with the agreed audit plan with one audit reaching a draft report status, three audits in fieldwork and a further three audits at planning or terms of reference stage. Details on 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

2.6 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.

2.7 A total of four adjustments have been proposed to audit start dates within this reporting period.

- Safeguarding - at the request of the relevant Executive Director the proposed start date for the audit of Safeguarding has been changed from June to August 2017
- Equalities and Diversity – at the request of the relevant Executive Director, the audit start date has been moved from April 2017 to June 2017 to enable the Auditor's attendance at the Equalities and Diversity Steering Group
- Asbestos Management – following initial planning work it has been proposed by the relevant operational manager that this audit is re-scheduled from April to October 2017
- Data Security – whilst still requiring agreement with management, it is proposed that this review will be re-scheduled from April to October 2017 to allow the audit to be undertaken by the specialist IT audit team within our external partners BDO.

Proposed Amendments to Audit Plan

2.8 There are no proposed audit plan amendments for this reporting period.

High Priority Recommendations

- 2.9 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.
- 2.10 The Council's Principal Governance Officer is responsible for following up the implementation status of internal audit recommendations. No new high priority recommendations have been made since the last committee.

Performance Management

- 2.11 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.
- 2.12 As at 3 July 2017, 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 3 July 2017	Actual to 3 July 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	15%	13% (44.5 out of 345 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	6%	3% (1 out of 29 planned projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	None returned
4. Number of High Priority Audit Recommendations agreed	100%	100%	There have been no high priority recommendations made.

2.13 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 3 JULY 2017

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 -95 days								
General Ledger					12	SIAS		Allocated
Debtors					10	SIAS		Allocated
Creditors					10	SIAS		Allocated
Treasury Management					8	SIAS		Allocated
Council Tax					10	SIAS		Allocated
NDR					10	SIAS		Allocated
Housing Benefits					10	BDO		Allocated
Payroll					10	SIAS		Allocated
Housing Rents					15	SIAS		Allocated
Operational Audits								
Safeguarding					10	SIAS		Allocated
Partnerships					10	SIAS	2	In Planning
Community Engagement					10	BDO		Allocated
Records Management					10	BDO		Allocated
Equalities & Diversity					10	SIAS	3	Fieldwork
Private Sector Tenancy					10	SIAS		Allocated

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 3 JULY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Tree Management					10	SIAS		Allocated
Reception (Three C's)					10	SIAS		Allocated
Awarding of Increments					10	SIAS	2	Fieldwork
Procurement Cards					10	SIAS	9.5	Draft Report Issued
Asbestos					10	SIAS	1	In Planning
Open Data					10	BDO		Allocated
Procurement / Contracts / Project Management								
Recycling					8	SIAS		Allocated
Local Authority Serious and Organised Crime Checklist					10	SIAS	0.5	In planning
Joint Reviews								
Joint Review - 1					2.5	NYA		NYA
Joint Review - 2					2.5	NYA		NYA
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					2	SIAS	0.5	Through Year
Counter Fraud								
Anti-Fraud Arrangements					10	SIAS	7	Fieldwork

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 3 JULY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Risk Management and Governance								
Corporate Governance					20	SIAS	0.5	In planning
Standards and Ethics					10	SIAS		Allocated
IT Audits								
IT Audit to be agreed					10	BDO		Allocated
Adhoc advice								
Adhoc advice					2	SIAS	1.5	Through Year
Contingency								
Contingency					5			
Strategic Support								
Head of Internal Audit Opinion 2016/17	N/A				5	SIAS	5	Complete
Audit Committee	N/A				8	SIAS	2	Quarterly
Client Liaison	N/A				8	SIAS	2	Through Year
External Audit Liaison	N/A				1	SIAS	0	As required
Plan Delivery Monitoring	N/A				8	SIAS	2	Through Year
SIAS Development	N/A				5	SIAS	5	Through Year

APPENDIX A PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 3 JULY 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
2018/19 Audit Planning	N/A				5	SIAS	0	Allocated
16/17 Projects requiring completion					2		0.5	
Data Security (16/17)					10	BDO	0.5	Allocated
Joint Review - Local Authority Trading					0.5	BDO		Allocated
Joint Review - PREVENT					0.5	BDO		In Quality Review
Welwyn Hatfield Borough Council Total		0	0	0	350		44.5	

Key

H = High Priority

M = Medium Priority

MA = Merits Attention

RECS = Recommendation

BDO = new audit partner, replacing PWC from 1 April 2015

N/A = not applicable

APPENDIX B - 2017/18 AUDIT PLAN PROJECTED START DATES

WHBC 2017/18 Audit Plan Start Months											
Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
	Partnerships In Planning	Procurement Cards Draft Report	Local Authority Serious and Organised Crime Checklist In planning	Private Sector Tenancy	Tree Management	Housing Benefits	Creditors	IT audit	Community Engagement	Standards and Ethics	
	Awarding of Increments Fieldwork	Corporate Governance In planning		Open Data	Reception (3Cs)	General Ledger	Housing Rents	Payroll	Records Management	Recycling	
	Anti-Fraud Arrangements Fieldwork	Equalities and Diversity Fieldwork		Safeguarding		Council Tax	Debtors	Treasury Management			
						NDR					
						Asbestos Management In planning					
						Data Security (16/17)					

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

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.