



Finance, Audit and Risk
Committee
Welwyn Hatfield Borough Council

2018/19 Internal Audit Plan Report

22 March 2018

Recommendation

Members are recommended to approve the
proposed Welwyn Hatfield Borough Council
Internal Audit Plan for 2018/19

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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) 2018/19 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 July 2017 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. An updated version of the SIAS Audit Charter will be brought to the July 2018 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:

- key committee reports at each client and identifies emerging risks and issues
- the professional and national press 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 2018/19 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 2018/19 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.
- d) The views of the Chair of the Audit Committee and the Council's external auditor are sought to confirm that their requirements are adequately addressed.

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:

- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are unsustainable and public leaders expect serious financial difficulty ahead.
 - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens.
 - Technology, from use of mobile devices to the applications of predictive analytics, is now key to service delivery and offers opportunities along with significant risks.
 - Major, national programmes in areas like welfare reform and business rate reform, increased reliance on partnership working and the vote to leave the EU, mean the environment in which councils operate is uncertain.
- 2.5 The resultant efficiency and transformation programmes, that councils are developing and implementing, are profoundly altering 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 audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate
 - Retain flexibility in the audit plan and ensure it remains current and relevant as the financial year progresses

Internal Audit Plan 2018/19

- 2.7 The draft plan for 2018/19 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 2018/19 has reduced by 10%, which for Welwyn Hatfield Borough Council equates to a reduction from 350 days (in 2017/18) to 315 days (in 2018/19). A similar 10% reduction has been applied across all other SIAS partner Councils and was agreed by the SIAS Board at its

meeting in December 2017. The SIAS Audit Manager has agreed to carrying forward two days from the 2017/18 Audit Plan to be used in 2018/19, meaning the plan presented at Appendix A is based on 317 days.

- 2.8 The table below shows the estimated allocation of the total annual number of purchased audit days for the year and the allocated budgets for 2017/18, as reported to Audit Committee on 3 April 2017, for comparison and to demonstrate where the 10% audit days saving has been achieved.

	2018/19 Days	%	2017/18 Days	%
Key Financial Systems	80	25	95	27
Operational audits	121	38	120	34
Joint Reviews and Shared Learning	5	2	17	5
Procurement / Contracts	10	3	8	2
IT Audits	30	9	10	3
Corporate Governance	5	2	30	9
Counter Fraud	5	2	10	3
Strategic Support*	36	11	40	11
Contingency and other	5	2	7	2
Carry forward work from 17/18	20	6	13	4
Total allocated days	317	100%	350	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2019/20.

- 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 2017/18. 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 2018/19 and any proposed changes will be reported to this Committee four times in the 2018/19 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 2018/19 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	95%

of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	
3. Client Satisfaction percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. Number of High Priority Audit Recommendations agreed	95%
5. External Auditor Satisfaction	External Auditors are able to rely upon the range and quality of SIAS' work Not applicable at WHBC as External Audit does not currently place reliance on the work of SIAS
6. 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
7. 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 2018/19

KEY FINANCIAL SYSTEMS		
Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Key Financial Systems		
General Ledger	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Systems access b) Setting up, deletion and monitoring of general ledger accounts in line with an established delegation of authority, c) Processing of journals and virements, ensuring that only authorised transactions with appropriate justification documented can be entered, d) Reconciliation of financial and non-financial systems where significant income is received, e) Regular review and clearance of suspense accounts, 	70
Debtors	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Customer account creation and amendment, b) Raising of debtor accounts, c) Credit notes and refunds, d) Accounting for income received, e) Write offs, and f) Debtors control account reconciliations, 	
Creditors	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Raising of supplier accounts, b) Ordering of goods, works and services, c) Receipt of goods, works and services, d) Payment of suppliers' invoices, e) Credit notes and refunds, and f) Creditors control account reconciliations. 	

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Treasury Management	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Treasury Management Practices, Policies and Procedures, b) Reporting Arrangements, c) Service Continuity and Training, d) Cash Flow Management, e) Counter-Party Risk, f) Transactions, g) On-line Banking and Investments, h) Capital and Interest Payments, i) Reconciliations, j) Performance Monitoring, and k) External Service Providers.
Council Tax	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Policies, Procedures and Legislation, b) Amendment to Council Tax records, c) Discounts and Exemptions, d) In-year Billing, e) Collection and Refunds, f) Recovery, Enforcement and Write Offs, g) Reconciliation between Council Tax system and General Ledger, h) Performance monitoring and Performance, and i) System access.
NDR	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Policies, procedures and regulatory compliance, b) Reconciliation between NDR system and Valuation lists, c) Multiplier setting, d) Voids and reliefs, e) In-year Billing, f) Collection and refunds,

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

	<ul style="list-style-type: none"> g) Recovery, enforcement and write offs, h) Reconciliation between NDR system and general ledger, i) Performance monitoring and management, and j) System access. 	
Housing Benefits	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) Policies, procedures and set-up of standing data, b) Assessments and backdating, c) Payments, d) Recovery of Overpayments, e) Reconciliations, f) Performance Monitoring, and g) Security of Data. 	
Payroll	<p>A full audit is scheduled with areas of coverage potentially including:</p> <ul style="list-style-type: none"> a) starters, leavers, b) transfers and amendments, c) payroll payments (including scheduling and BACS), d) pension contribution rates, e) payroll deductions and third party payments, reconciliations, f) management exception reports, g) systems access / security, h) management of the external Payroll contract. 	
Housing Rents	To provide assurance that the annual rent setting is approved and completed in a timely manner, income is collected and recorded accurately, rent arrears are actively pursued and written off where necessary and that rent arrears are effectively monitored and reported.	10
OPERATIONAL AUDITS		
Budget Monitoring	To provide assurance that sufficient governance exists to support budget managers in effectively monitoring their budgets, this includes variance reporting and challenging and evidence that monitoring meetings have been held. In addition, to provide assurance that capital budgets are effectively	15

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

	monitored to ensure prompt and robust reporting of any slippage against the original business case timings for funds.	
Community Protection Notices	To provide assurance that community protection notices are issued consistently across the Council in compliance with Council policy and regulations.	12
Public Health	To provide assurance that the Council has appropriate arrangements in place to meet its statutory requirements.	10
Customer Services - Contract Management	To provide assurance that the contract management, performance monitoring and reporting arrangements are robust and complete. Review to include benchmarking of the Council's approach to performance monitoring and reporting of Customer Service metrics.	10
Voids Management	To provide assurance over the monitoring and management of voids to ensure properties are returned to the housing in a timely manner. This would include a review of the policies and procedures in place to manage voids (including ensuring consistency of definitions of voids), roles and responsibilities assigned, pre and post inspections of works and performance monitoring.	12
Housing Allocations	To provide assurance over the whole process - assessment and placing an application - selection for allocation (HA Properties SC / Council Properties SP) - verification of the right people being awarded.	12
General Data Protection Regulations	A two part audit, initially to provide assurance that the Council is on track to comply with GDPR by 25 May 2018. The second part to provide assurance that the Council is progressing through the roadmap to full compliance as expected.	8
Agency Staff	To provide assurance that agreed authorisation and other procedures are adhered to, consideration of alternative arrangements to determine that agency staff is the most cost effective solution, monitoring and reviewing of use, type and need of agency staff and timesheets are subject to management checks on a timely basis.	12
Use of Consultants (including solicitors, barristers, management consultants)	To carry out an analysis of the use of consultants by departments and the type of consultants used. To ascertain the reasons for use, whether it is cost effective and to ensure correct procedures have been followed including Contract Procedure Rules and IR35 regulations.	10
Health and Safety	To provide assurance that the Council is compliant with the Health and Safety at Work Act 1974. The review to include risk assessments, training, reporting (of accidents and performance), governance and policy documentation.	10
Parking Services	To provide assurance that the issuing of parking permits is in line with the Parking Strategy (both online and manual applications), evidence is retained to confirm eligibility and income is correctly collected and recorded.	8
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.	2

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PROCUREMENT / CONTRACTS		
Street Scene Contract / Procurement	To provide assurance that the process of competitive dialogue is meeting the objectives and that the procurement process as a whole is subject to robust governance including oversight of project timings, fairness in assessments and the use of external consultants.	10
JOINT REVIEWS		
Joint Reviews and Shared Learning	Joint review topics to be agreed by the SIAS Board and production of SIAS Quarterly Shared Learning papers.	5
IT AUDITS		
Incident Management	To provide assurance that robust policies, procedures and responsibilities have been documented and communicated, incidents are identified, logged and prioritised, incidents are investigated, diagnosed and escalated, incidents are resolved and systems recovered and incidents are monitored and reported.	11
Software Licence Management	To provide assurance that the Council have a complete inventory of software including licences held, the licence count meets the business need and represents value for money and software contract payments are sufficiently monitored.	11
PSN Accreditation	To provide assurance that the Council has maintained sufficient evidence and embedded appropriate systems to demonstrate compliance with the requirements for continuing PSN compliance.	8
CORPORATE GOVERNANCE		
Corporate Governance and Risk Management	To provide assurance over the Council corporate governance and risk management arrangements. Focussed scope to be agreed following conclusion of the 2017/18 Corporate Governance review.	5
ANTI-FRAUD ARRANGEMENTS		
Anti-Fraud Arrangements Follow Up	To follow up the seven recommendations made in the 2017/18 Anti-Fraud Arrangements report.	5

APPENDIX A – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19

CONTINGENCY & AD HOC ACTIVITY		
Contingency	To provide for adequate response to risks or issues emerging in 2018/19.	5
STRATEGIC SUPPORT & CONTINGENCY		
Head of Internal Audit Opinion 2017/18	To prepare and agree the Head of Internal Audit Opinion for 2017/18	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	8
Client Liaison	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	6
External Audit Liaison	Meetings with the Council's External Auditor, as required.	1
Plan Delivery Monitoring	Audit Plan monitoring and reporting.	8
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2019/20 Audit Planning	Provision of services to prepare, agree and report the 2019/20 Annual Audit Plan.	5
17/18 Projects requiring completion	Completion of outstanding work from 2017/18.	20
TOTAL AUDIT PLAN DAYS		317

APPENDIX B – PROPOSED WELWYN HATFIELD BOROUGH COUNCIL AUDIT PLAN 2018/19 – RESERVE LIST

RESERVE LIST		
Fire Safety	To provide assurance that the Council is meeting its requirements relating to fire safety in community properties and dwellings.	
Electronic Purchasing Cards	To provide assurance that all controls relating to the move to an electronic system for purchasing cards are operating effectively.	
Project Management	To provide assurance that the Council has project management policies and procedures in place and that these policies and procedures are consistently implemented across the Council in any project work undertaken.	
Pooling Returns	To provide assurance that there are robust procedures in place to ensure accurate forecasting. Controls surrounding the production of quarterly information to S151 and Members are sufficiently robust.	

APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
General Data Protection Regulations	Community Protection Notices	Parking Services	Customer Services – Contract Management	Budget Monitoring	Use of Consultants
Agency Staff	Health and Safety	PSN Accreditation	Street Scene Procurement	Incident Management	Anti-Fraud Arrangements Follow-Up
					DFG Grant Certification
October	November	December	January	February	March
General Ledger	Treasury Management	Housing Benefits	Voids Management	Public Health	Corporate Governance and Risk Management
Debtors	Council Tax	Payroll	Housing Allocations		
Creditors	NDR	Housing Rents			
Software Licence Management					