



Welwyn Hatfield Borough Council  
Audit Committee

2016/17 Internal Audit Plan Report

21 March 2016

Recommendation

Members are recommended to approve the proposed Welwyn Hatfield Borough Council Internal Audit Plan for 2016/17

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### A Proposed Welwyn Hatfield Borough Council 2016/17 Audit Plan

# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed Welwyn Hatfield Borough Council Internal Audit Plan.

## Background

- 1.2 The 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 (SIAS) Audit Charter which was presented to the June 2015 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 next meeting of the Audit Committee in June 2016.
- 1.4 The PSIAS require that the audit plan must incorporate or be 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 the 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 work undertaken on behalf of External Audit, governance work and counter fraud activity.
  - 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 adopts a standard approach and methodology across all SIAS partners. This methodology 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 2016/17 has been characterised by:

- a) Detailed discussions, facilitated by the Principal Governance Officer, 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 confirm if 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. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. 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 2016/17 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans were presented to Leadership Team for discussion and agreement;
- e) The views of the council's external auditor are sought to confirm that their requirements are adequately addressed.

2.4 This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives.

## The Planning Context

- 2.5 The context within which local authorities and housing associations provide their services remains challenging:
- Austere public finances will last well into the next parliament, meaning that previous expenditure levels are not sustainable 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 ranging from use of mobile devices and applications and predictive analytics is developing rapidly and offers opportunities along with significant risks
  - Major, national programmes in areas like welfare reform and business rate reform, coupled with the introduction of Police and Crime Commissioners, Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.
- 2.6 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.7 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 leading edge audit approaches such as ‘control risk self assessments’ or ‘continuous assurance’ where appropriate;
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

### Internal Audit Plan 2016/17

- 2.8 The draft plan for 2016/17 is included at Appendix A and contains a high level proposed outline scope for each audit and a suggested quarter for delivery.
- 2.9 Actual start dates will be agreed with management for all quarter 1 audits by the end of March 2016. This will help smooth delivery of the plan across the year, give regular assurance to the Committee, and raise awareness of the timing of the reviews to support partnership working between the Council and SIAS. Also included is a reserve list detailing audits which may feature in the event that an audit in the main plan cannot be conducted. Plan changes are brought before this Committee for approval.
- 2.10 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

	<b>WHBC</b>
Key Financial Systems	70
Operational audits	90
Procurement	5
Joint Reviews	8
Risk & Governance	10
Ad-Hoc Advice	5
IT Audits	20
Contingency	5
Follow Ups	5
Strategic Support*	37
2015/16 Projects Requiring Completion	5
<b>Total audit days 2016/17</b>	<b>260</b>

\* This covers, for example, supporting the Audit Committee, Monitoring and Liaison and Planning for 2017/18.

- 2.11 Members will note the inclusion of a provision for the completion of projects that relate to 2015/16. 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 The work of Internal Audit is required to be reported to a Member Body so that Welwyn Hatfield Borough 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 2016/17 and any proposed changes will be reported to this Committee four times in the 2016/17 civic year.
- 3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

## Performance Indicators

- 3.3 Annual performance indicators were approved by the SIAS Board. Details of the targets set for 2016/17 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

<b>Performance Indicator</b>	<b>Performance Target</b>
<b>1. Planned Days</b> percentage of actual billable days against planned chargeable days completed	95%
<b>2. Planned Projects</b> percentage of actual completed projects to draft report stage against planned completed projects	95%
<b>3. Client Satisfaction</b> percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%
<b>5. External Auditor Satisfaction</b>	External Auditors are able to rely upon the range and quality of SIAS' work

<b>6. Annual Plan</b>	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
<b>7. Head of Assurance's Annual Report</b>	Presented to the first meeting of each Audit Committee in the new financial year.

Welwyn Hatfield Borough Council  
Audit Committee  
21 March 2016

Welwyn Hatfield Borough Council 2016/17 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<p><b>KEY FINANCIAL SYSTEMS</b></p> <p>Key financial systems are of critical importance to sound financial management and financial reporting. As such, the external auditor needs to be satisfied that these systems are soundly controlled and can be relied upon to avoid errors that would result in a material misstatement in the organisation's accounts. Management also needs to be assured that the key financial systems are soundly controlled in order to meet objectives and thereby contribute appropriately to wider organisational objectives.</p>			
Main Accounting System	<p>In 2015/16 a CRSA approach was used for the audit of the Main Accounting System. This year a full audit will be undertaken providing assurance over the areas of:-</p> <ul style="list-style-type: none"> <li>a) Systems access</li> <li>b) Journals and virements</li> <li>c) Feeder systems</li> <li>d) Bank reconciliations</li> <li>e) Control accounts</li> <li>f) Suspense accounts</li> <li>g) Year-end processes, and</li> <li>h) Business continuity arrangements.</li> </ul>	6	Q3
Debtors	<p>In 2015/16 a CRSA approach was used for the audit of the Debtors System. This year a full audit will be undertaken providing assurance over the areas of:-</p> <ul style="list-style-type: none"> <li>a) Maintenance of customer accounts</li> <li>b) Raising of sales invoices</li> <li>c) Accounting of payments received</li> <li>d) Refunds and credit notes</li> <li>e) Recovery processes and write-off's</li> </ul>	8	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	<ul style="list-style-type: none"> <li>f) Reconciliations, and</li> <li>g) Systems access.</li> </ul>		
Creditors	<p>In 2015/16 a CRSA approach was used for the audit of the Creditors System. This year a full audit will be undertaken providing assurance over the areas of:-</p> <ul style="list-style-type: none"> <li>a) Ordering, goods receipting and invoicing processes</li> <li>b) Authorisations to approve orders and invoices for payment</li> <li>c) New suppliers and amendments to existing supplier accounts</li> <li>d) Credit notes and refunds</li> <li>e) Creditors payment runs</li> <li>f) Creditors reconciliations, and</li> <li>g) Systems access</li> </ul>	8	Q3
Treasury Management – Investments	<p>In line with the three-year CRSA approach, the 2016/17 audit will form year two of the CRSA cycle, whereby management will self-evaluate the adequacy of controls, risk management and business processes within the area of investments and act on weaknesses identified. SIAS will provide independent validation of evidence to support management assertions around key assurance areas of:-</p> <ul style="list-style-type: none"> <li>a) Investment policies and procedures</li> <li>b) Systems access</li> <li>c) Cashflow forecasting</li> <li>d) Placing and authorisation of investments</li> <li>e) Capital and interest payments</li> <li>f) Reconciliations</li> <li>g) External service providers / contracts, and</li> <li>h) Performance monitoring.</li> </ul>	8	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Payroll	<p>In 2015/16 a CRSA approach was used for the audit of the Payroll System. This year a full audit will be undertaken providing assurance over the areas of:-</p> <ul style="list-style-type: none"> <li>a) Starters, leavers, transfers and amendments</li> <li>b) Payroll payments, including scheduling and BACS</li> <li>c) Pension contribution rates</li> <li>d) Payroll deductions and third party payments</li> <li>e) Reconciliations</li> <li>f) Management exception reports</li> <li>g) Systems access / security.</li> </ul>	10	Q3
Council Tax	<p>Review of the Council Tax system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. The audit will include a review of the following areas:-</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and Regulatory Compliance</li> <li>b) Assessment of Liability</li> <li>c) Creation of or amendments to records and standing data</li> <li>d) Billing</li> <li>e) Payments and Refunds.</li> <li>f) Recovery, Enforcement and Write offs.</li> <li>g) Reconciliation between Council Tax System and General Ledger.</li> <li>h) Performance monitoring and management – measurable targets exist and are monitored to support the activities of the Council Tax service.</li> </ul>	10	Q2
Non Domestic Rates (NDR)	<p>Review of the NDR system to confirm that existing controls are adequate and operating effectively and that previous audit recommendations have been implemented. The audit will include a review of the following areas:-</p>	10	Q2

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	<ul style="list-style-type: none"> <li>a) policies, procedures and Regulatory Compliance</li> <li>b) amendment to NDR records</li> <li>c) Multiplier Setting.</li> <li>d) Voids and Reliefs.</li> <li>e) Billing.</li> <li>f) Payments and Refunds.</li> <li>g) Recovery, Enforcement and Write offs.</li> <li>h) Reconciliation between NDR System and General Ledger.</li> <li>i) Performance monitoring and management – measurable targets exist and are monitored to support the activities of the NDR service.</li> </ul>		
Housing Benefits	<p>SIAS will be conducting a full assurance audit on the Housing Benefits system, in particular reviewing how the Council has adapted systems to take into account significant government changes to the welfare system. The audit will include a review of the following areas:-</p> <ul style="list-style-type: none"> <li>a) Policies, procedures and set-up of standing data</li> <li>b) Assessments and backdating.</li> <li>c) Payments.</li> <li>d) Recovery and write-off of overpayments.</li> <li>e) Reconciliation between the Benefits System and General Ledger.</li> <li>f) Performance Monitoring.</li> <li>g) System controls and data retention.</li> </ul>	10	Q3/4
<b>OPERATIONAL AUDITS</b>			
CCTV	To provide assurance that the Council has an appropriate control environment in place to ensure compliance with the CCTV code of practice.	10	Q2

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Campus West	Continuation of work to provide management with assurance over the robustness of systems of financial control within Campus West. The 2016/17 audit will focus on the adequacy of the internal control environment for the area of Income - covering budgeting, collection, recording, banking and management oversight.	10	Q2
Enforcement	Building on a high level review of enforcement policies in 2014/15, the 2016/17 audit will focus on compliance with corporate & service policies / procedures within a sample of services that undertake enforcement activities.	10	Q1
Business Continuity	To provide assurance that appropriate business continuity arrangements are in place in relation to the delivery of key services. The audit will focus on non-IT aspects given the 2014/15 IT audit of Disaster Recovery.	10	Q3
Disabled Facilities Grants	To provide assurance that the Council have appropriate systems and processes in place to ensure compliance with legislation and controls relating to assessment, award and monitoring of the use of Disabled Facilities Grants.	10	Q1
Streetscene Client	To provide assurance that robust contract monitoring arrangements are in place to manage provider performance and validate payment requests against the agreed contract.	10	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Land Charges	To provide assurance that robust systems are in place for the receipt of search requests, invoicing for charges due, receipt and banking of income (including accuracy of charges), periodic review of fees, quality review processes and performance indicators (including timeliness of response).	10	Q3
Asset Management	To provide assurance on the Asset Management system and associated records, covering systems access, asset management plans, maintenance of key records and lease and disposal activities.	10	Q4
Safeguarding Part 2	Building on assurance work undertaken during 2015/16 - focusing on service compliance with policies and procedures	10	Q4
<b>PROCUREMENT</b>			
Procurement	Scope to be determined in year - focus areas to be considered include procurement processes (tenders / quotes) or contract monitoring.	5	TBC
<b>JOINT REVIEWS / SHARED LEARNING ACTIVITIES</b>			
Joint Review	Topic to be agreed by SIAS Board.	5	TBC

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Shared Learning Newsletters and summary themed reports	Periodic briefings, newsletter and other forms of communication to share details of key emerging risks and best practice examples.	2	Ongoing across financial year
Audit Committee Workshop	A SIAS facilitated event to highlight key best practice and challenges related to maintaining effective audit committees, both through sector wide examples and those experiences shared by the SIAS partners. A post event report will be produced and issued to participants to summarise the outcomes and learning points from the workshop.	1	TBC
<b>RISK MANAGEMENT AND GOVERNANCE</b>			
Risk Management	The audit will involve a high level review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision-making and activity. Any emerging issues will be considered as part of the audit planning process. This audit informs the Annual Governance Statement.	5	Q3
Corporate Governance	The audit will involve a review of strategic and operational corporate governance arrangements, and whether corporate governance has been embedded effectively within the Council. Any emerging issues will be considered as part of the audit planning process. This audit informs the Annual Governance Statement.	5	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>AD HOC ADVICE</b>			
Ad Hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	5	As and when required
<b>IT AUDITS</b>			
Data Security	To perform a high level Data Security assessment for the Trust covering the areas of:- <ul style="list-style-type: none"> <li>• Information Security Governance</li> <li>• Asset Management</li> <li>• Physical Security</li> <li>• Communication and Operations Management</li> <li>• Access Controls</li> <li>• Information Security Incident Management</li> <li>• Monitoring</li> </ul>	10	Q3
	The subject for the second IT audit will be confirmed in consultation with management at the Council and Housing Trust prior to the end of April 2016.	10	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>CONTINGENCY</b>			
	To provide for adequate response to risks or issues emerging during 2015/16.	5	As required
<b>FOLLOW-UP AUDITS</b>			
Follow-up of outstanding audit recommendations	In conjunction with the Principal Governance Officer, obtaining updates on the status of internal audit recommendations from action owners and reporting these quarterly to Audit Committee.	5	Q1
<b>STRATEGIC SUPPORT</b>			
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee, as well as to provide Committee Member training prior to Audit Committee meetings.	8	Quarterly
External Audit Liaison	To meet the external auditors and providing information as required.	4	On-going

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Head of Internal Audit Opinion 2015/16	To prepare and agree the Head of Internal Audit Opinion for 2015/16.	5	Q1
Monitoring & Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	10	On-going
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5	On-going
2017/18 Audit Planning	To provide services in relation to preparation and agreement of the 2017/18 Annual Audit Plan.	5	Q3/4
<b>2015/16 PROJECTS REQUIRING COMPLETION</b>			
2015/16 projects requiring completion	Additional time, if required, for the completion of 2015/16 audit work carried forward into 2016/17.	5	Q1
<b>TOTAL AUDIT PLAN DAYS</b>		<b>260</b>	

<b>2016/17 RESERVE LIST</b>	
Capital Projects	To provide assurance over the adequacy of governance, risk management, monitoring and financial accounting arrangements for material capital projects.
Use of Agency Staff	To provide assurance that the use of agency staff is in accordance with agreed Council policies and that appropriate systems are in place to manage payments to agencies.
Health & Safety	To provide assurance that appropriate policies and procedures are in place, staff and managers are appropriately trained and incident reporting and inspection processes mirror legislative requirements or good practice.
Digital by Default	This audit will consist of a benchmarking exercise against SIAS partner authorities (or wider) to identify opportunities for the Council to consider channel shift in the delivery of services or information to the end consumer.
Data Retention	To provide assurance that appropriate data retention policies are in place, that these are appropriately communicated across the Council and are applied in practice by services.
Residents Parking Permits	To provide assurance that an effective control environment is in place to govern the issue of permits and collection of income due.

CIL	Subject to progress in implementation, this review would provide assurance over the effectiveness of systems for assessing and collecting contributions due from developers and assurance that income received has been use for the approved purposes.
Project Management	To provide assurance that appropriate project management policies and / or guidance are in place that these are applied in practice through a review of a sample of projects. The review would focus on Business Cases, Governance Arrangements and Benefits Realisation.
Allotment Strategy	To provide assurance on the robustness of systems and processes governing the letting, management and maintenance of plots.