



# **Welwyn Hatfield Borough Council**

## **Audit Committee Progress Report**

21 March 2019

### Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 8 March 2019, and
- Note the proposed amendments to the 2018/19 Annual Audit Plan.

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.7 Proposed Amendments to the 2018/19 Annual Audit Plan
  - 2.9 High Priority Recommendations
  - 2.12 Performance Management

## Appendices

- A Progress against the 2018/19 Audit Plan
  
- B 2018/19 Audit Plan Start Dates Agreed with Management
  
- C Assurance and Finding Definitions 2018/19

# 1. Introduction and Background

## Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2018/19 as at 8 March 2019.
  - b) Findings for the period 14 September 2018 to 8 March 2019.
  - c) Details of changes to the planned start dates of audits from the approved 2018/19 Audit Plan.
  - d) Proposed amendments to the 2018/19 Annual Audit report
  - e) An update on performance management information as at 8 March 2019.

## Background

- 1.2 The 2018/19 Annual Audit Plan was approved by the Audit Committee at its meeting on 22 March 2018.
- 1.3 The Audit Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the fourth report giving feedback on the delivery of the 2018/19 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 8 March 2019, 88% of the 2018/19 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 final reports have been issued since 4 January 2019 (cut-off date for the SIAS Update Report for 17 January 2019 Audit Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Incident Management	January 2019	Satisfactory	3 Medium, 1 Low
Software Licence Management	January 2019	Satisfactory	2 Medium, 1 Low
NDR	January	Good	2 Low

	2019		
Treasury Management	March 2019	Good	-
Agency Staff	March 2019	Limited	1 High, 2 Medium, 1 Low

2.3 Details on the status of all audits in this year's plan can be found in Appendix A.

2.4 In respect of the 2018/19 plan, audits continue to be progressed in line with the agreed audit plan with 16 audits at final report stage, eight audits at draft report stage, four audits in fieldwork, and a further one audit at planning or allocated stage. Details of 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

2.5 To help the Committee assess progress in delivering the 2018/19 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.

2.6 There have been five days allocated from contingency to the follow up of recommendations. As a result, the contingency balance is currently 0 days.

2.7 There are no proposed changes to audit start dates to be reported to the Committee.

#### Proposed Amendments to Audit Plan

2.8 Since the September meeting of this Committee, there has not been any changes to the 2018/19 Audit Plan agreed with Officers of the Council.

#### 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.

2.11 We have made one new high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above. This recommendation relates to the use and retention of the corporate Agency Worker Approval Form.

#### Performance Management

#### Reporting of Audit Plan Delivery Progress

2.12 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.

2.13 As at 8 March 2019, actual performance for Welwyn Hatfield Borough Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 8 March 2019	Actual to 8 March 2019
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	91% (290 / 317 days)	88% (279 / 317 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	87% (26 / 30 projects)	83% (25 / 30 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (10 / 13 survey's returned)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2018/19 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **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 of the civic year.

## APPENDIX A – PROGRESS AGAINST THE 2018/19 ANNUAL AUDIT PLAN

### 2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
<b>Key Financial Systems</b>									
General Ledger						8	Yes	7.5	Draft Report Issued
Debtors						10	Yes	9.5	Draft Report Issued
Creditors						10	Yes	9.5	Draft Report Issued
Treasury Management	Good	0	0	0	0	6	Yes	6	Final Report Issued
Council Tax						10	Yes	9.5	Draft Report Issued
NDR	Good	0	0	0	2	10	Yes	10	Final Report Issued
Benefits						10	Yes	6	In Fieldwork
Payroll						6	Yes	5.5	Draft Report Issued
Housing Rents						10	Yes	8.5	In Fieldwork
<b>Operational Audits</b>									
Budget Monitoring	Good	0	0	0	0	13	Yes	13	Final Report Issued
Community Protection Notices	Satisfactory	0	0	1	2	12	Yes	12	Final Report Issued
Public Health						10	Yes		Allocated
Customer Services – 3C's	Good	0	0	0	2	10	Yes	10	Final Report Issued
Voids Management						12	Yes	3.5	In Fieldwork
Housing Allocations						12	Yes	4	In Fieldwork
General Data Protection Regulations						8	Yes	7.5	Draft Report Issued
Agency Staff	Limited	0	1	2	1	15	Yes	15	Final Report Issued
Use of Consultants (including solicitors, barristers and						10	Yes	9.5	Draft Report Issued

**APPENDIX A – PROGRESS AGAINST THE 2018/19 ANNUAL AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
management consultants)									
Health and Safety	Satisfactory	0	0	2	1	10	Yes	10	Final Report Issued
Parking Permits	Satisfactory	0	0	1	1	8	Yes	8	Final Report Issued
DFG Grant Certification	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
Fire Safety	Satisfactory	0	0	3	0	10	Yes	10	Final Report Issued
LEP Grant	Not Assessed	0	0	0	0	5	Yes	5	Final Report Issued
<b>Procurement / Contracts</b>									
Street Scene Contract / Procurement	Good	0	0	0	1	5	Yes	5	Final Report Issued
<b>Counter Fraud</b>									
Anti-Fraud Arrangements – Follow Up						0	Yes		Cancelled
<b>Corporate Governance and Risk Management</b>									
Corporate Governance and Risk Management						5	Yes	4.5	Draft Report Issued
<b>IT Audits</b>									
Incident Management	Satisfactory	0	0	3	1	11	Yes	11	Final Report Issued
Software Licence Management	Satisfactory	0	0	2	1	11	Yes	11	Final Report Issued
PSN Accreditation						0	Yes		Cancelled
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						2		2	
Shared Learning						3		3	Through Year
<b>Contingency &amp; Ad Hoc Activity</b>									

**APPENDIX A – PROGRESS AGAINST THE 2018/19 ANNUAL AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Contingency & Ad Hoc Activity						0			As Required
<b>Strategic Support</b>									
Head of Internal Audit Opinion 2017/18						5	Yes	5	Complete
Audit Committee						8	Yes	8	Through Year
Client Meetings						6	Yes	6	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Progress Monitoring						8	Yes	8	Through Year
SIAS Development						5	Yes	5	Through Year
2019/20 Audit Planning						5	Yes	5	Through Year
Follow up recommendations						5	Yes	3.5	Through Year
<b>2017/18 Projects requiring completion</b>									
Community Engagement						4	Yes	3.5	Draft Report Issued
Tree Management	Satisfactory	0	0	1	3	8	Yes	8	Final Report Issued
Standards and Ethics	Satisfactory	0	0	0	3	7.5	Yes	7.5	Final Report Issued
Finalisation of Projects	Not Applicable					0.5	Yes	0.5	Complete
<b>Total – Welwyn Hatfield B.C.</b>		<b>0</b>	<b>1</b>	<b>15</b>	<b>18</b>	<b>317</b>		<b>279</b>	







**APPENDIX B – 2018/19 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**

<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>
Agency Staff <b>Final Report Issued</b>	Community Protection Notices <b>Final Report Issued</b>	Parking Permits <b>Final Report Issued</b>	Customer Services – 3C's <b>Final Report Issued</b>	Budget Monitoring <b>Final Report Issued</b>	Use of Consultants <b>Draft Report Issued</b>
Tree Management (17/18) <b>Final Report Issued</b>	Health and Safety <b>Final Report Issued</b>	PSN Accreditation <b>Cancelled</b>	Street Scene Procurement <b>Final Report Issued</b>	Incident Management <b>Final Report Issued</b>	Anti-Fraud Arrangements Follow-Up <b>Cancelled</b>
Standards & Ethics (17/18) <b>Final Report Issued</b>	LEP Grant <b>Final Report Issued</b>			Fire Safety <b>Final Report Issued</b>	DFG Grant Certification <b>Final Report Issued</b>
Community Engagement (17/18) <b>Draft Report Issued</b>					
<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>
General Ledger <b>Draft Report Issued</b>	Treasury Management <b>Final Report Issued</b>	Benefits <b>In Fieldwork</b>	Voids Management <b>In Fieldwork</b>	Public Health <b>Allocated</b>	Risk Management <b>Draft Report Issued</b>
Debtors <b>Draft Report Issued</b>	Council Tax <b>Draft Report Issued</b>	Payroll <b>Draft Report Issued</b>	Housing Allocations <b>In Fieldwork</b>		
Creditors <b>Draft Report Issued</b>	NDR <b>Final Report Issued</b>	Housing Rents <b>In Fieldwork</b>			
Software Licence Management <b>Final Report Issued</b>	GDPR – deferred from April <b>Draft Report Issued</b>				

## APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2018/19

Assurance Level	Definition
<b>Good</b>	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
<b>Satisfactory</b>	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
<b>Limited</b>	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
<b>No</b>	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level		Definition
Corporate	<b>Critical</b>	 Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	<b>High</b>	 Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	<b>Medium</b>	 Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	<b>Low / Advisory</b>	 Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.