



Welwyn Hatfield Borough Council Audit Committee Progress Report 30 January 2023

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 13 January 2023
- Note the implementation status of internal audit recommendations and the management update.

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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 Internal Audit Plan for 2022/23 as at 13 January 2023.
 - b) In-Year Audit Plan review and proposed plan amendments.
 - c) The implementation status of previously agreed audit recommendations.
 - d) An update on performance indicators as at 13 January 2023.

Background

- 1.2 The 2022/23 Internal Audit Plan was approved by the Audit Committee on 28 March 2022.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the third report giving an update on the delivery of the 2022/23 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 13 January 2023, 56% of the 2022/23 Audit Plan days had been delivered.
- 2.2 There have been eight final audit reports issued since the previous progress report, relating to the 2022/23 audit plan.

Audit Title	Assurance Opinion	Recommendations
Annual Governance Statement - Phase 1 - Advisory Report	Not Assessed*	None
Annual Governance Statement - Phase 2 - Assurance Review	Reasonable	1 Advisory Action
Sopra Steria Contract (Part 1)	Substantial	None
Statutory Compliance	Reasonable	2 Medium Priority

Housing Maintenance Contract Mobilisation	Substantial	1 Low Priority
Member Training	Reasonable	2 Low Priority
DFG Certification	Unqualified	None
Sopra Steria Contract (Part 2)	Reasonable	1 Medium

* Not Assessed = No assurance opinion provided as the project was consultancy based.

- 2.3 In addition to completed projects summarised in 2.2, the following draft reports in the table below have been issued to management for comment, response, or approval to issue the final report (where a satisfactory management action plan has been received):

Audit Title	Status
Planning Services Review Recommendations	Draft Report Issued December 2022. Awaiting management response.
Vaccine Uptake	Draft Report Issued January 2023. Awaiting management response.

- 2.4 The status of the one remaining audit from the Council's 2021/22 audit plan is detailed below:

Audit Title	Status	Assurance Opinion	Recommendations
Training Budgets	Final Report Issued	Reasonable	4 Medium and 1 Low Priority

- 2.5 In relation to the 2022/23 audit plan, the Audit Committee are reminded that SIAS will deliver all audits prioritised as 'High' in the approved Plan and will deliver at least ten projects prioritised as 'Medium'. In addition, all IT audits will be completed. The outcomes of these projects will support the Chief Audit Executive in forming their overall annual opinion on the robustness of governance, risk management and internal control arrangements at the Council.

High Priority Recommendations

- 2.6 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. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.7 No new high priority recommendations have been raised as a result of the work completed and reported in the tables at paragraphs 2.2 and 2.4. Therefore, there are no outstanding high priority recommendations.

Medium Priority Recommendations

- 2.8 It has been agreed with Council management that SIAS will follow up all medium priority recommendations resulting from internal audit reports. There were five medium priority recommendations, due for follow up by the end of January, with two having been assigned as implemented.
- 2.9 Appendix D details the implementation status of all 'Medium' priority recommendations that have not been fully implemented by the original target date. Appendix D has been abridged to fit this Progress Report, and the full database is maintained on a shared drive. This can be supplied by Council management on request, should it be required.

Proposed Amendments

- 2.10 There were no major plan amendments agreed with management within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.11 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits (24 minimum)	Profile to 13 January 2023
Draft / Final Report Issued	11	42%	(13/26)
In Fieldwork / Quality Review	8	31%	(5/26)
Terms of Reference Issued / In Planning	5	19%	(5/26)
Not Yet Started	2	8%	(3/26)

- 2.12 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. As at 13 January 2023, 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 13	Actual to 13 January 2023
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		January 2023	
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	66% (197 / 298 days)	56% (165.5 / 298 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	50% (13 / 26 projects)	42% (11 / 26 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (1 returned from 9 issued)
4. Number of High Priority Audit Recommendations agreed	95%	95%	No high priority recommendations have been made in 2022/23

2.13 In respect of delivery of Planned Days and Planned Projects, progress is slightly behind the profiled target for two of the 2022/23 audits. This relates to the homeless prevention grant funding audit as fieldwork was delayed due to availability of information. The cyber risk audit is currently at quality review stage and release of the draft report will take place in conjunction with the Phishing audit as requested by management.

2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2022/23 Head of Assurance's Annual Report:

- **5. 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.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

Update on Current Plan Delivery Position

2.15 As reported above, SIAS are currently behind profile for both billable days and projects delivered to draft report status. In respect of the above, 2022/23 has been a significantly challenging year for SIAS in relation to recruitment and retention, with as many as 6 FTE vacancies (36% of the establishment) during earlier periods of the financial year. Whilst this has now reduced to 4.5 FTE (25% of the establishment), the specialist nature of Internal Audit means that SIAS are competing with the private sector to recruit to our higher-level roles, and this has proved challenging given the pay constraints Local Authorities

operate under. In respect of the remaining vacancies, a recruitment campaign is currently in progress.

- 2.16 As Committee Members will be aware, SIAS operates as a partnership. The current resource gap within the partnership is 200 days. Whilst this would normally be allocated to SIAS's external partner, they have now reached their delivery and resourcing capacity for the financial year. SIAS have therefore recently completed a procurement process to commission two additional external partners for quarter four to complete the remaining projects, with both new external partners now in place and taking forward their allocated projects.
- 2.17 It is also important to note the delivery profile is not straight line, with the profile often impacted by the required timing of some audits, or where Management have requested later start dates for audits, this outside the control of SIAS. When considering the current delivery position, it is important to note that any projects that have had specific key deadlines, such as Grant certifications, have been prioritised and agreed deadlines met.
- 2.18 Based on current resource availability (including our external partners), we would be able to provide assurance to the Committee that all audits within 2022/23 have been allocated for completion before the end of the financial year. However, should additional vacancies occur, SIAS experiences significant staff sickness, or there are client engagement issues in relation to the timing (or supporting the delivery) of audits, there would be a risk to the overall delivery of the 2022/23 audit plan.
- 2.19 The above position is subject to continual monitoring, and we are currently satisfied that all available mitigating actions have been taken forward to manage the above risks, and that any uncompleted projects could be concluded during April and May 2023 to support the Annual Assurance Opinion if required. However, regular updates will be provided to both the Committee, SIAS Board and the Council's Section 151 Officer as the remainder of the financial year progresses.

APPENDIX A – PROGRESS AGAINST THE 2022/23 AUDIT PLAN AS AT 13 JANUARY 2023

2022/23 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
High Priority Audits									
Annual Governance Statement - Phase 1 - Advisory Report	Not Assessed					10	SIAS	3	Final Report Issued
Annual Governance Statement - Phase 2 - Assurance Review	Reasonable	0	0	0	0			7	Final Report Issued
Sopra Steria Contract (Part 1)	Substantial	0	0	0	0	7	SIAS	7	Final Report Issued
Statutory Compliance	Reasonable	0	0	2	0	18	BDO	18	Final Report Issued
Tenancy Fraud						12	BDO	1.5	In Fieldwork
Performance Indicators						15	BDO	6.5	In Fieldwork
Sopra Steria Contract (Part 2)	Reasonable	0	0	1	0	6	SIAS	6	Final Report Issued
Covid-19 Recovery						10	Mazars		
Sopra Steria Contract (Part 3)						6	SIAS	1	In Fieldwork
Streetscene Contract Resilience						10	SIAS	0.5	Terms of Reference Issued
Resilience						15	SIAS	0.5	In Planning
Medium Priority Audits) – 6 audits nominated for Q1 and Q2 to date									
Housing Maintenance Contract Mobalisation	Substantial	0	0	0	1	11	BDO	11	Final Report Issued
Housing Maintenance Contract Mobalisation – Review of Process Mapping						6.5	BDO	1	In Planning
Member Training	Reasonable	0	0	0	2	8	BDO	8	Final Report Issued

APPENDIX A – PROGRESS AGAINST THE 2022/23 AUDIT PLAN AS AT 13 JANUARY 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Vaccine Uptake						8	SIAS	8	Draft Report Issued
Homelessness Prevention Grant Funding						8	SIAS	4	In Fieldwork
Voids Management						1.5	SIAS	1.5	Audit Cancelled
Planning Services Review Recommendations						8	SIAS	7.5	Draft Report Issued
Revenues Discounts and Exemptions						8	SIAS	2	In Fieldwork
Grounds Maintenance Contract Management						8	Veritau	2	Terms of Reference Issued
Procurement Cards						8	SIAS	1	In Planning
Procurement Decision Making Process						8	Mazars		
IT Audits									
Cyber Risk						15	BDO	12	Quality Review
Phishing						10	BDO	8	In Fieldwork
IT Hardware						10	BDO	5	In Fieldwork
Shared Learning and Joint Reviews									
Shared Learning						2	SIAS	1.5	
Joint Reviews – Environmental Enforcement						2	BDO	1	In Fieldwork
Grant Claims / Charity Certification									
COMF Grant Certification	Unqualified	0	0	0	0	1	SIAS	1	Final Report Issued
DFG Certification	Unqualified	0	0	0	0	2	SIAS	2	Final Report Issued
Miscellaneous Grants						2	NYA		
Consultancy									

APPENDIX A – PROGRESS AGAINST THE 2022/23 AUDIT PLAN AS AT 13 JANUARY 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Consultancy Assignments						5	NYA		
Contingency									
Contingency						2	NYA		
Client Management - Strategic Support									
CAE Internal Audit Opinion 2021/22						3	SIAS	3	Complete
Audit Committee						6	SIAS	4.5	Through Year
Performance Monitoring						8	SIAS	4	Through Year
Client Liaison						8	SIAS	4	Through Year
SIAS Development						5	SIAS	3.5	Through Year
2023/24 Audit Planning						8	SIAS	2	Through Year
Recommendations Follow Up						5	SIAS	3	Through Year
2021/22 Carry Forward									
Completion of outstanding 2021/22 projects						14	SIAS	14	Completed
Total		0	0	3	3	300		165.5	

Key / Notes

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance

Unqualified – Assurance Opinion Provided for Grant or Accounts Certifications indicating the return provides a fair and true view and complies with funding conditions (in relation to grants)

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

N/a = Not Applicable

Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2022/23 Internal Audit Plan.

APPENDIX B – 2022/23 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
I	Annual Governance Statement – Advisory Report (Final Report Issued)	Sopra Steria Contract (Part 2) (Final Report Issued)	Sopra Steria Contract (Part 3) (In Fieldwork)	Tenancy Fraud (In Fieldwork)
	Annual Governance Statement – Assurance Review (Final Report Issued)	Performance Indicators (In Fieldwork)		Covid-19 Recovery
	Sopra Steria Contract (Part 1) (Final Report Issued)			Streetscene Contract Resilience (Terms of Reference Issued)
	Statutory Compliance (Final Report Issued)			Resilience (In Planning)
M	A minimum of 10 medium priority audits from the following			
	Housing Maintenance Contract Mobilisation (Final Report Issued)	Planning Services Review Recommendations (Draft Report Issued)	Revenues Discounts and Exemptions (In Fieldwork)	Housing Maintenance Contract Mobilisation – Process Mapping (In Planning)
	Member Training (Final Report Issued)	Homelessness Prevention Grant Funding (In Fieldwork)		Grounds Maintenance Contract Management (Terms of Reference Issued)
	Vaccine Uptake (Draft Report Issued)			Procurement Cards (In Planning)
			Procurement Decision Making Process	

APPENDIX B – 2022/23 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

IT		Cyber Risk (Quality Review)	Phishing (In Fieldwork)	
			IT Hardware (In Fieldwork)	
G/C	COMF Grant (Final Report Issued)	DFG Certification (Final Report Issued)		
O	2021/22 Carry Forward (Completed)			

Key:

H – High Priority: 100% of audits will be delivered

M – Medium Priority: Ten of these audits will be delivered, Audit Committee to approve which audits will be delivered from this list.

IT – IT Audits: 100% of IT audits will be delivered

C – Consultancy: Assignments will be delivered as part of the audit plan

G/C – Grant or charity certification to be completed as part of the audit plan

O - Other

APPENDIX C – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

There are no high priority recommendations outstanding.

APPENDIX E – ASSURANCE AND FINDINGS DEFINITIONS 2022/23

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Finding Priority Levels		
	Priority Level	Definition
Corporate	Critical	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.
Service	High	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.
	Medium	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.
	Low	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.