



Welwyn Hatfield Borough Council Audit Committee Progress Report 18 September 2023

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 September 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 2023/24 as at 4 September 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 4 September 2023.

Background

- 1.2 The 2023/24 Internal Audit Plan was approved by the Audit Committee on 29 March 2023.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving an update on the delivery of the 2023/24 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 4 September 2023, 29% of the 2023/24 Audit Plan days had been delivered.
- 2.2 There have been four final audit reports that have been issued since the previous progress report, three being carry forward audits from the 2022/23 Internal Audit Plan.

Audit Title	Assurance Opinion	Recommendations
Performance Indicators	Reasonable	3 Medium
Tenancy Fraud	Reasonable	2 Medium, 3 Low
Vaccine Uptake	Reasonable	2 Advisory Actions
Oak Hill Lawn Cemetery and Crematorium	Substantial	None

High Priority Recommendations

- 2.3 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.
- 2.4 No new high priority recommendations have been raised as a result of the work completed and reported in the table at paragraph 2.2. Therefore, there are no outstanding high priority recommendations.

Medium Priority Recommendations

- 2.5 It has been agreed with Council management that SIAS will follow up all medium priority recommendations resulting from internal audit reports. There were 12 medium priority recommendations due for follow up during this cycle, six of which have been implemented. An update has been provided in respect of the outstanding medium priority recommendations in appendix D.

Proposed Amendments

- 2.6 There are no plan amendments proposed within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.7 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	Profile to 4 September 2023
Draft / Final Report Issued	3	13%	(4/24)
In Fieldwork / Quality Review	4	17%	(5/24)
Terms of Reference Issued / In Planning	6	25%	(2/24)
Not Yet Started	11	46%	(13/24)

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. As at 4 September 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 4	Actual to 4 September 2023
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		September 2023	
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	36% (100 / 280 days)	29% (80/ 280 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2024	90%	17% (4 / 24 projects)	13% (3 / 24 projects)
3. Planned Projects – percentage of actual completed projects to Final report stage against planned completed projects by the production of the HoA Annual Report	100% (By June 2024)	n/a	n/a
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100% (6 returned from 9 issued within 2023/24)
4. Number of High Priority Audit Recommendations agreed	95%	95%	No high priority recommendations have been made in 2023/24

2.9 In respect of delivery of Planned Days, performance is slightly behind the profiled target as the commencement of four Q2 audits has been delayed, these relating to White Paper: Housing Complaints Handling, Building Maintenance Compliance, Housing Development - Affordable Accommodation and Climate Emergency.

2.10 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2023/24 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.

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 4 SEPTEMBER 2023

2023/24 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
High Priority Audits										
Oak Hill Lawn Cemetery and Crematorium						10	SIAS	10	Final Report	
Revenues and Benefits - New Contract						10	SIAS	6	In Fieldwork	
Building Maintenance Compliance						12	BDO	1	In Planning	
Private / Social Housing - Damp and Mould						8	NYA			
IT - New Contracts						10	NYA			
Corporate Health and Safety - Policy and Procedures						12	NYA			
Risk Management Framework Policy / Reporting						12	NYA			
Medium Priority Audits										
White Paper: Preparedness and Tenant Engagement						12	BDO	10	Draft Report	
Food Hygiene Inspection Programme						8	SIAS	5	In Fieldwork	
Planning Appeals						10	SIAS	9.5	In Fieldwork	
Climate Emergency						8	SIAS	1	In Planning	
Housing Development -						10	SIAS	1.5	In Planning	

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Affordable Accommodation										
White Paper: Housing Complaints Handling						10	BDO	1.5	In Planning	
Budgetary Control						8	NYA			
Community Lottery						6	NYA			
Payroll						10	NYA			
Emergency Planning						10	NYA			
Anti-Fraud Contract						8	BDO			
Creditors						10	NYA			
Debtors						10	NYA			
IT Audits										
Software Licensing						14	BDO	6	In Fieldwork	
Handheld Devices Security						10	BDO	1	In Planning	
IT Disaster Recovery and Business Continuity						10	BDO	1	In Planning	
Grant Claims / Charity Certification										
DFG Certification						2	SIAS	2	Draft Report	
Miscellaneous Grants						3	NYA			N/A
Contingency										
Contingency						5	NYA			N/A
Client Management - Strategic Support										
CAE Internal Audit Opinion 2022/23						3	SIAS	3	Complete	N/A
Audit Committee						6	SIAS	1.5	Through Year	N/A

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS	CSQ Completed
		C	H	M	L					
Performance Monitoring						6	SIAS	1.5	Through Year	N/A
Client Liaison						8	SIAS	3.5	Through Year	N/A
2024/25 Audit Planning						8	SIAS		Through Year	N/A
Recommendations Follow Up						4	SIAS	2.0	Through Year	N/A
SIAS Development						3	SIAS	3.0	Through Year	N/A
2021/22 Carry Forward										
Completion of outstanding 2022/23 projects						10	SIAS	10	Completed	N/A
Total		0	0	0	0	285		80		

Key / Notes

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

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 2023/24 Internal Audit Plan.

CSQ = Client Satisfaction Questionnaire

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
H	Oak Hill Lawn Cemetery and Crematorium (Final Report)	Revenues and Benefits - New Contract (In Fieldwork)	Private / Social Housing - Damp and Mould	Risk Management Framework Policy and Reporting
		Building Maintenance Compliance (In Planning)	IT - New Contracts	Corporate Health and Safety - Policy and Procedures
M	White Paper: Preparedness and Tenant Engagement (Draft Report)	Climate Emergency (In Planning)	Budgetary Control	Anti-Fraud Contract
	Food Hygiene Inspection Programme (In Fieldwork)	Housing Development - Affordable Accommodation (In Planning)	Community Lottery	Creditors
	Planning Appeals (In Fieldwork)	White Paper: Housing Complaints Handling (In Planning)	Payroll	Debtors
			Emergency Planning	
IT		Software Licensing (In Fieldwork)	Handheld Devices Security (In Planning)	IT Disaster Recovery and Business Continuity (In Planning)
G/C		DFG Certification (Draft Report)		
O	2022/23 Carry Forward (Completed)			

Key:

H – High Priority

M – Medium Priority

IT – IT Audits

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 D – IMPLEMENTATION STATUS OF OUTSTANDING MEDIUM PRIORITY RECOMMENDATIONS

Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
					<p>issues. The manual process in these areas has continued to ensure compliance is met.</p> <p><u>September</u> The implementation of the asset system for Gas, Electric and Asbestos is now in place and live, the system for FRA is ongoing and the manual process in these areas has continued to ensure compliance is met. The H&S team have now started their audit programme which will be auditing compliance.</p>		

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Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
					<p>The implementation of the asset system is ongoing and is currently being tested to ensure there are no further issues. The manual process in these areas has continued to ensure compliance is met.</p> <p><u>September</u> The implementation of the asset system for Gas, Electric and Asbestos is now in place and live, the system for FRA is ongoing and the manual process in these areas has continued to ensure compliance is met. The H&S team have now started their audit programme which will be auditing compliance.</p>		

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Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
Climate Emergency June 2022	<p>Strategic Reporting</p> <p>The Energy Efficiency and Climate Change Officer should generate annual reports to the Climate Change Member Group on the Council's progress against the Climate Change Strategy and objectives. The reports should provide an overview of key projects and their contribution to the Strategy, as well as operational achievements, taking into consideration the costs of actions. In addition, the report should detail areas of improvement and good practice.</p>	This recommendation is accepted	31/03/2023	Economic Development Officer	<p><u>March 2023</u></p> <p>The Council are yet to successfully recruit to the Climate Change Officer role which we hope to do so in the next couple of months.</p> <p>The Climate Action Plan has been updated and tracks the efforts taken which outlines elements such as cost, impact and is tracked using SMART targets.</p> <p>The council has access to the Sigma database which is tracking the energy usage and reports are able to be run on a regular basis to ensure that reductions are seen as well as being able to focus the Climate Action Plan schemes around those that would see a decrease in energy consumption.</p> <p><u>June 2023</u></p> <p>We now have a start date of the 10th July for the Climate Change Officer therefore plans</p>	31/03/2024	Partially Implemented

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					<p>will be in place following the appointment to ensure reporting is carried out.</p> <p><u>September</u> Since the CCO joined, great progress has been made. Updates are provided to the Climate Member Group every two months, and we will be providing an annual report in March. The team is working hard to ensure the strategy is being followed and updated as and when required.</p>		

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Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
Procurement Cards March 2023	<p>Accounting Arrangements We recommend, card holders and approvers are reminded of the guidance available on the intranet relating to VAT and ensure that VAT is recorded appropriately. Furthermore, approvers should be reminded to check that VAT has been recorded correctly.</p> <p>In addition to the above, a quick user guide could be created for officers outlining the key VAT requirements / examples, which could be referred to on a day-to-day basis.</p>	Cardholders and approvers will be reminded of the need to ensure VAT is recorded correctly. The existing quick guide will be extended to include more examples specific to common spend with procurement cards.	31/07/2023	Financial Processes Team Leader	<p><u>August</u> A new step by step guide to accounting for VAT on procurement cards has been produced. A report is going to the Senior Management Team on 30th August to highlight the issues with VAT accounting and to agree an escalation process for repeated errors.</p>	30/08/2023	Partially Implemented

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Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
Procurement Cards March 2023	<p>Approval and Logging of Transactions</p> <p>We recommend the team consider an appropriate escalation process, in addition to the current general reminders that are in place.</p>	An escalation process will be agreed with senior management.	31/07/2023	Financial Processes Team Leader	<p><u>August</u></p> <p>A report is going to the Senior Management Team on 30th August to highlight the issues with approval and logging of transactions and to agree an escalation process for repeated errors.</p>	30/08/2023	Partially Implemented

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Report Title and Date	Recommendation	Management Response	Original Target Date	Responding Officer	Management Action Taken to Date	Revised Target Date	Implementation Status
Streetscene Contract Resilience March 2023	<p>Risk Mitigation Strategy and Monitoring Arrangements</p> <p>We recommend that:</p> <ul style="list-style-type: none"> • Joint risk registers are reviewed and discussed at contract monitoring meetings to ensure that risks and associated controls are up to date, proportionate to risk exposures and capture emerging risks. • Action plans associated with risk registers should be put in place to support the implementation of risk mitigation controls and included as a standing agenda item at contact monitoring meetings. 	<p>Specific action tracker for risks and control to be created and shared with contractors (also see other responses).</p> <p>PDWG to include review of actions and any changes to risk levels across the contracts.</p>	31/07/2023	Environmental Services Manager	<p><u>August</u></p> <p>Risk registers are reviewed at monthly contract meetings and updates made to our risk register as required monthly.</p> <p>No specific actions added to action plan as yet but included on monthly meeting agenda</p>	31/12/2023	Partially Implemented

APPENDIX E – ASSURANCE AND FINDINGS DEFINITIONS 2023/24

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.
	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.
Service	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.