

The following is the report considered by the Finance, Audit and Risk Committee at its meeting held on 22 March 2017



North Herts District Council
Audit Committee Progress Report
22 March 2017

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 March 2017;
- Approve the amendments to the Audit Plan as at 4 March 2017; and
- Note the implementation status of high priority recommendations.

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- C Audit Plan Items (April 2016 to March 2017) – Start dates agreed with management

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 2016/17 as at 4 March 2017.
 - b) Findings for the period 26 November 2016 to 4 March 2017 for audits assessed as 'Limited', or 'No' assurance (there were none in the period).
 - c) Proposed amendments to the approved 2016/17 Audit Plan.
 - d) Implementation status of previously agreed high priority audit recommendations and agreement to remove completed actions.
 - e) An update on performance management information as at 4 March 2017.

Background

- 1.2 The 2016/17 Annual Audit Plan was approved by the Finance, Audit & Risk Committee on 23 March 2016.
- 1.3 The Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 19 December 2016. This is the fourth report giving feedback on the delivery of the 2016/17 Internal Audit Plan.
- 1.4 Internal Audit 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.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 4 March 2017, 77% of the 2016/17 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

- 2.2 The following 2016/17 final reports and assignments have been completed since 7 December 2016 (cut-off date for the SIAS Update Report for 19 December 2016 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Data Protection and Freedom of Information	December 2016	Moderate	3 High (see Appendix B for details) 1 Medium (relating to non-completion of essential FOI training by some officers) 2 Merits Attention
King George V	January 2017	Not assessed	n/a
Creditors	February 2017	Substantial	1 Merits Attention
Debtors	February 2017	Substantial	2 Merits Attention

Details on the status of all audits in this year's plan are detailed in Appendix A.

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.

There are three new high priority recommendations arising from the Data Protection and Freedom of Information report. These relate to:

- a) Non-compliance by some officers with the requirement to undertake mandatory Data Protection training / low completion rates by Members of the e-learning Data Protection module
- b) Auto-forwarding of emails by Members in contravention of the IT Information Security Policy, which at para 9 - Email Systems states: "Never auto forward emails to a lower classification domain (e.g. public internet)"

- c) Low levels of Member compliance with ICO registrations in respect of their status as Data Controllers

Full details of these recommendations, together with the management responses are included at Appendix B.

- 2.4 The standard template schedule attached at Appendix B also shows the implementation status of previously agreed high priority audit recommendations.

Proposed Audit Plan Amendments

- 2.5 No changes to the 2016/17 Audit Plan are brought to this Committee.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.6 At the meeting of FAR on 5 December 2013 it was agreed that the method for reporting on audit plan delivery progress would be based on the judgement of the SIAS management team and would represent the best estimate as to a reasonable expectation of progress on the audit plan. This approach is now reflected in the figures at 2.12 (below).
- 2.7 To help the Committee assess the current situation in terms of progress against the projects in the audit plan we have provided an overall progress update in the table below. In addition, for 2016/17 we have agreed formal start dates with management and have allocated resources accordingly; details can be found in Appendix C. This is designed to facilitate a smoother level of audit plan delivery throughout the year.

Completed - Draft or Final report has been issued (18)	
Confidence level in completion of this work – Full	
Review of FAR	Car Parking Operations
Business Continuity	Absence Management
Discretionary Grants Investigation	Whistleblowing Investigation
Ethics Policies	Data Retention & Storage
DFG Certification	Data Protection / FOI
Creditors	Debtors
Homelessness	King George V Playing Field
Main Accounting	Benefits
Asset Management	Development Control

Fieldwork currently being carried out or in Quality Review (9)	
Confidence level in completion of this work – Full	
Contract Management	Risk Management
IT Asset Management	Payroll
Non Domestic Rates	Council Tax

Corporate Project Management	Appraisal Process
Grants	

Scope and Start date agreed with Management - preliminary work has begun (6)

Confidence level in completion of this work – Moderate – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries.

Use of Consultants	Treasury Management
Careline Operations	Green Space Strategy
Joint Review – Local Authority trading	Joint Review - delivery of the Prevent agenda

Formal start dates not yet agreed (1)

Confidence level in completion of this work – low – resources have not yet been allocated by SIAS and dates have not yet been planned in diaries; generally these audits are more complex and will need good engagement with management to ensure delivery

HTH & Museum	
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Deferred (1)

Office Accommodation Project	
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Cancelled (1)

Baldock Town Partnership	
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Summary – 4 March 2017

Status	No of Audits at this Stage	% of Total Audits (34)
Draft / Final	18	53%
Currently in Progress	9	26%
Start Date Agreed	6	18%
Yet to be planned	1	3%

Deferred	1	
Cancelled	1	

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2015.

2.9 As at 4 March 2017, actual performance for North Herts against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 4 March 2017	Actual to 4 March 2017
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	85%	77%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	70%	53%
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	95%	100%

2.10 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 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.

2.11 An addendum report will be provided to Members in advance of the meeting to report the most up to date position possible on completion of the plan.

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 4 MARCH 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Main Accounting System					8	Yes	7.5	Draft report issued
Benefits & Rent Allowances					14	Yes	13.5	Draft report issued
Council Tax					12	Yes	10.5	In fieldwork
Creditors	Substantial	0	0	1	8	Yes	8	Final report issued
Debtors	Substantial	0	0	2	8	Yes	8	Final report issued
Asset Management					10	Yes	8	Draft report issued
Non Domestic Rates					10	Yes	9	In fieldwork
Payroll					8	Yes	7	In fieldwork
Treasury Management					10	Yes	0.5	ToR issued
Operational Audits								
Development Control					15	Yes	13	Draft report issued
Ethics Policies	Substantial	0	2	1	10	Yes	10	Final report issued
HTH & Museum Project					15	Yes	0.5	In planning
Careline Operation					15	Yes	1	In planning
Homelessness					10	Yes	9.5	Draft report issued
Grants					15	Yes	10	Quality review
Business Continuity / Disaster Recovery	Substantial	0	2	1	15	Yes	15	Final report issued
Absence Management	Substantial	0	0	2	10	Yes	10	Final report issued
Office Accommodation Project					1	Yes	1	Deferred to 17/18
Appraisal Process					10	Yes	3.5	In fieldwork
Risk Management					10	Yes	8	In fieldwork
Car Parking Operations	Substantial	0	1	1	10	Yes	10	Final report issued

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 4 MARCH 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Green Space Strategy					10	Yes	3	In fieldwork
Data Retention & Storage	Substantial	0	0	8	10	Yes	10	Final report issued
Whistleblowing Investigation	Not assessed				7	Yes	7	Final report issued
Disabled Facilities Grant Certification	Not assessed				1.5		1.5	Final report issued
Procurement								
Use of Consultants					10	Yes	4.5	ToR issued
Corporate Project Management					15	Yes	5.5	In fieldwork
Contract Management					15	Yes	13.5	In fieldwork
Joint Reviews								
Shared Learning Newsletters Audit Committee Workshop Joint Review – Benchmarking Workshop (tbd)					5	Yes	4.5	On-going
Joint Review – Local Authority Trading					2.5	Yes	0.5	ToR issued
Joint Review – delivery of the Prevent agenda					2.5	Yes	0.5	ToR issued
IT Audits								
Data Protection / FOI	Moderate	3	1	2	10	Yes	10	Final report issued
IT Asset Management					10	Yes	8.5	In fieldwork
Contingency & Other								
Contingency					5			
Discretionary Grants Investigation	Not assessed				4.5	Yes	4.5	Final report issued
Election Support					3.5	Yes	3.5	Completed

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 4 MARCH 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Baldock Town Partnership					2	Yes	2	Audit cancelled
Review of FAR					3	Yes	3	Completed
King George V	Not assessed				1.5	Yes	1.5	Final report issued
Strategic Support								
Head of Internal Audit Opinion 2016/17					5	Yes	5	Completed
External Audit Liaison					1		1	On-going
Audit Committee					12		11	On-going
Client meetings					10		10	On-going
2017/18 Audit Planning					10		10	In progress
Progress Monitoring					10		9.5	On-going
SIAS Development					5		5	On-going
15/16 Projects Requiring Completion					5		5	
Asset Management	Substantial	0	4	1				Final report issued
Careline Expansion Initiative	Substantial	0	1	2				Final report issued
Profit Share Arrangements	Full	0	0	0				Final report issued
DCO Refurbishment Project	Substantial	0	2	2				Final report issued
Use of Agency Staff	Substantial	0	2	1				Final report issued
Safer Staffing	Limited	2	1	1				Final report issued
Officer & Members Allowances	Substantial	0	3	0				Final report issued
Cemeteries	Substantial	0	1	1				Final report issued
Waste Contract – Management & Renewal	Moderate	2	1	2				Final report issued

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 4 MARCH 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Data Network (Starters & Leavers)	Full	0	0	0			Final report issued	
Total - North Herts D.C.					400	303.5		

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
1.	Waste Contract August 2016	As part of the contract renewal process, formal requirements regarding the quality of performance data provided by the contractor should be included in the terms and conditions of the contract. This should include mechanisms by which the Council can both directly access the data and require the contractor to undertake (either directly or commissioned by the Council) data quality audits should these be deemed necessary.	The upgrade to the waste management IT software is expected to be in place by mid-2016. This will give officers direct access to the system.	Service Manager (Waste and Recycling)	July 2016	Service Manager (Waste and Recycling) March 2017 – The domestic collections are being managed through the new IT system with officers having full access. The system is being set up for trade waste collections, which are anticipated to go live by June 2017. An upgrade to the corporate financial system Integra means full set up of chargeable services is on hold indefinitely, with a review required once the Integra upgrade is complete and the new contract is awarded in late 2017.	In progress	Carry forward to June FAR

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			Greater integration with the NHDC customer service centre and website will be possible with the new system and these options will be explored to reduce the risk of data transfer errors in relation to contacts reported by the public. This will be subject to cost but can be considered further for the implementation of the new contract, alongside decisions regarding the management of customer contacts.	Service Manager (Waste and Recycling), Comms Manager, Customer Services Manager.	April 2017	March 2017 – Officers now have full system access and a series of reports are in development. Ad hoc variation orders are being processed using Integra for greater transparency. The new contract specification is in draft, which includes data access and reporting requirements. Project Board decisions have resulted in a specification to include customer service provision, therefore no work will be undertaken to improve website and current system integration in advance of the new contract. Dec 2016 – IT system	In progress	Carry forward to June FAR

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						<p>up and running for domestic collections, implementation for trade is delayed due to staff vacancies.</p> <p>August 2016 - IT system currently in testing phase. Anticipated to go live for domestic collections and street cleansing by 1st October 2016</p> <p>Dec 2016 – New contract client team discussions and IT approach likely to begin in early 2017</p> <p>August 2016 - Initial meetings for project initiation set up, however is now largely dependent on the structure of the new shared service</p>		

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						client team, which will not be decided until later in 2017. This is therefore unlikely to be completed on time.		
2.	Waste Contract August 2016	Officers are aware of the weaknesses in the current performance management regime and given that the existing contract is due for renewal and that service delivery is adequate, we do not recommend that any action is now taken to enforce the performance management regime for the existing contract, as the effort required is unlikely to yield any substantial benefits prior to the contract	Evidence exists that both parties agreed to implement the system on 2 nd September 2002. It is understood that the regime was in place for approximately 5 years but no data exists for this period. No officers from the current management team were present at this time and the regime in place was not sufficient to effectively	Service Manager (Waste and Recycling)	Development of PMR specification for new contract due September 2016	Service Manager (Waste and Recycling) March 2017 - Negotiations are ongoing with EHC regarding the approach to performance management in the new contract specification. Agreement is required by March 2017. Dec 2016 – Discussions ongoing, PMR specification due to be completed by January 2017 August 2016 -	In progress	Carry forward to June FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
		<p>expiring.</p> <p>However, the Council should ensure that it factors its experience with the current contract into the process for developing performance management on the new contract. This should include:</p> <ul style="list-style-type: none"> • investigating and understanding why it was not implemented for the current contract • specification of a detailed performance management regime which is formally agreed by all partners at 	<p>monitor performance after service changes and contract extension in 2007. Efforts to review the matrix in 2011/12 failed to reach agreement and was resource intensive due to the lack of access to and reporting from a suitable waste management software system.</p> <p>It is anticipated that the upgraded IT system will provide sufficient reporting to inform a new PMR system for the new contract.</p>			<p>The specification of the PMR is on-going and examples of other Council systems is being considered. Negotiations are now also required with EHC due to the agreement to progress with the shared service. Consultants have been commissioned to assist with a critical friend analysis of final documents.</p>		

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
		<p>the commencement of the new contract; and</p> <ul style="list-style-type: none"> Monitoring the implementation of the new regime to ensure it is being applied rigorously from the start of the new contract. 						
3.	Data Protection and Freedom of Information December 2016	a. We recommend that non-compliance with the mandatory requirement for Officers to complete the Data Protection (DP) module of the Learning Management System (LMS) be escalated to the Heads of Service / Directorate to resolve as a matter	a. DP Training is a mandatory for all officers and monthly reports are generated from the LMS System to show who is not compliant. The Information Compliance Team will contact officers and give them 5 working days to	Head of Revs, Bens & IT	1 April 2017	<p>Head of Revs, Bens & IT / ICT Manager</p> <p>March 2017 – Monthly reports are generated by the HR Learning & Development team for the Head of Revenues, Benefits & IT and those officers who have not completed the on-line DP Training are contacted and</p>	Implemented	Completed – to be removed

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
		<p>of priority.</p> <p>b. We recommend that consideration is given to making completion of the LMS DP module compulsory for all Members.</p>	<p>complete and failure to comply will result in HOS/Directors notified.</p> <p>b. This has been raised with the Chief Executive and agreed that this will be added to the agenda for the for the next Political Liaison Board meeting.</p>			<p>reminded that they are required to complete the training. HOS are also updated.</p> <p>March 2017 – PLB discussed this at their meeting on 23 January 2017 and the outcome was for the HOS and IT Manager to come back with further information on how other authorities in Hertfordshire manage Members training. To date, the IT Manager has received only two feedbacks (Hertsmere BC and Watford/Three Rivers) and he was going to hand out the surveys to the HertsLink user group members at last week's HertsLink</p>	In progress	Carry forward to June FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
						meeting, which was sadly cancelled 30 minutes before the meeting. The IT Manager will again send out a 3 rd email asking Members of this group to confirm. This will be considered again by PLB on 20 March 2017.		
4.	Data Protection and Freedom of Information December 2016	We recommend that the practice of auto-forwarding of emails is stopped as a priority before there is a breach of the Data Protection Act. It is noted that this is covered within the DP Training. All Officers and Elected Members have signed to agree the IT Information Security Policy,	This has been raised with the Chief Executive and agreed that this will also be on the Political Liaison Board agenda for the January 2017 meeting for Senior Members to consider this point and agree an action.	Head of Revs, Benefits & IT	1 April 2017	Head of Revs, Bens & IT / ICT Manager March 2017 – As per answer to Action 3b above, seeking further information on the approach of other authorities in Hertfordshire prior to further consideration by PLB on 20 March 2017.	In progress	Carry forward to June FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
		which at para 9 - Email Systems states: "Never auto forward emails to a lower classification domain (e.g. public internet)".						
5.	Data Protection and Freedom of Information December 2016	We recommend that Members' failure to register with the ICO as Data Controllers should be escalated to the Council's Chief Executive for resolution.	This has been raised with the Chief Executive and agreed that this will also be on the Political Liaison Board agenda for the January 2017 meeting for Senior Members to consider this point and agree an action.	Head of Revs, Benefits & IT	1 April 2017	Head of Revs, Bens & IT / ICT Manager March 2017 – There are now 15 Members registered as Data Controllers with the ICO's Office. The IT Manager was asked to seek updates from other authorities on how they manage this process in other Hertfordshire authorities. This forms part of the questions in Actions 3b and 4 above. The matter will be reviewed again by PLB on 20 March	In progress	Carry forward to June FAR

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment March 2017	Status of Progress
						2017; however, as this poses no real risk to the Council and any breach is the sole responsibility of any Members concerned, Officers do not intend to push this any further than bringing the risks to the attention of PLB on 20 March 2017.		

NHDC 2016/17 Audit Plan Start Months											
Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Car Parking Operations	Absence Management	Contract Management	DP/FOI	Office Accommodation Project *	HTH & Museum**	Homelessness	Payroll	Benefits	Use of Consultants	Asset Management	
Review of FAR	Data Retention & Storage	Ethics Policies			Risk Management	Treasury Management	NDR	Appraisal Process	Corporate Project Management		
	Business Continuity				DFG Certification	Main Accounting	Council Tax	Development Control	Grants		
						Debtors	Careline Operation	King George V	IT Asset Management		
						Creditors					
						Green Space Strategy					

* Audit deferred to 2017/18

** Audit to be rescheduled on management advice – revised date tbd