



North Herts District Council
Audit Committee Progress Report
16 January 2012

Recommendation

Members are recommended to note the Internal Audit Progress Report and approve the amendments to the Audit Plan as at 9 December 2011

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1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
 - a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Internal Audit Plan for 2011-12 as at 9 December 2011.
 - b) Findings for the period 23 August 2011 to 9 December 2011 for audits assessed as 'Limited' or 'No' assurance.
 - c) Proposed amendments to the approved 2011-12 Audit Plan.
 - d) Implementation status of previously agreed High priority Audit Recommendations.
 - e) An update on performance management information as at 9 December 2011.

Background

- 1.2 The 2011-12 Annual Audit Plan was approved by the Audit & Risk Committee in February 2011.
- 1.3 The Finance, Audit & Risk Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 19 September 2011.
- 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.
- 1.5 A key work stream since the SIAS go-live date has seen the introduction of a standardised audit methodology and supporting documentation across all clients. This has now been extended to include committee reporting and the new format is used for the first time at this Committee. The standardisation of the report makes it easier to produce and by a wider range of individuals within the team. We hope the information contained in this report continues to meet your needs, but of course, we welcome any comments you may have.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 9 December 2011, 52% of the 2011-12 Audit Plan days had been delivered. Appendix A provides a status update on each individual deliverable within the audit plan. As has been previously reported the auditor days available for audit work in 2011/12 were significantly reduced as a result of the transition to SIAS. However, it is anticipated that a minimum of 90% of the amended 2011-12 Audit Plan will be delivered by 31 March 2012.

2.2 The following 2011-12 reports and assignments have been issued in the period since 23 August 2011:

- Community Safety Partnership (final report issued December 2011 – Substantial assurance, three medium priority and two merits attention recommendations).
- Externalisation of Document Management (final report issued December 2011 – Substantial assurance, one medium priority recommendation).
- Grants to Voluntary & Community Groups and Individuals (final report issued October 2011 – Substantial assurance, two medium priority recommendations).
- Copyright Act – Software Licensing (final report issued September 2011 – Substantial assurance, one high priority and two medium priority recommendations).
- Leisure Management Contract (final report issued August 2011 – Substantial assurance, one high priority, two medium priority and three merits attention priority recommendations).
- Grounds Maintenance Contract (final report issued December 2011 – Full assurance, one high priority recommendation).

Proposed Audit Plan Amendments

2.3 The following amendments to the Audit Plan have been agreed with the Officers of the Council and are detailed below in paragraph 2.4 for Audit Committee approval. The amendments were required to prioritise the audit resources on high risk activity and to allow SIAS to undertake specific tasks.

2.4 The following audits, totalling 28 days, were agreed to be removed from the 2011-12 audit plan:

- Bancroft Redevelopment – 8 days (works delayed)
- Mrs Howard Gardens Redevelopment – 10 days (works due for completion March 2012 and lessons learned review now requested for 2012-13)
- Risk of Fraud – 10 days (themed Countywide audit of Fraud & Corruption now planned for 2012-13).

High Priority Recommendations

2.5 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 Internal Audit's responsibility to bring to Members' attention non-implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

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

Performance Management

- 2.7 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Targets were also agreed by the SIAS Board for the majority of the performance indicators. Targets have not been set for the performance indicators relating to the completion of Planned Days and Planned Projects for 2011-12, given the impact of transition.
- 2.8 The actual performance for North Herts against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Performance Target	Actual to 9 December 2011
1. Planned Days – percentage of actual billable days against planned chargeable days completed	N/A for 2011-12	52%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	N/A for 2011-12	45%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	100%

- 2.9 In addition, the performance targets listed below are annual in nature; members will be updated on the performance against these targets within the 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** – prepared in time to present to the first meeting of each Audit Committee in the financial year.

- 2.10 The Shared Internal Audit Service continues to make good progress towards the new standards and expectations that have been set. Productivity has risen steadily since the go-live date.

- 2.11 Completion of assigned work within budget is being carefully monitored. A training course on 'Lean Delivery of Audit Assignments' took place on 3 November 2011 to support auditors in meeting targets in this area. The training underlined the increased emphasis that is being placed on:

- planning work carefully to ensure assurance is provided on the key risks and issues, and not on less important areas;

- understanding when sufficient work has been done to give assurance, and avoiding unnecessary extra work; giving techniques for recognising this;
 - producing concise reports that convey the key messages.
- 2.12 Adjustments have been made to the audit methodology in order to ensure that this supports the auditors in working in a focussed and 'lean' way.
- 2.13 Other developments during the period include:
- All the team now has a single set of terms and conditions;
 - IT arrangements are largely bedded in and reliability of the system connections has improved;
 - The SIAS external partner PWC has commenced its programme of work;
 - An approach for audit planning for 2012-13 has been agreed, which will identify areas of commonality across authorities as well as ensuring that individual plans are appropriately tailored.

APPENDIX A PROGRESS AGAINST THE 2011-12 AUDIT PLAN AS AT 9 DECEMBER 2011

2011-12 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Asset Management & Capital Accounting					15	Yes	4.2	Planning in progress
Asset Management b/f from 2010-11	Substantial	2	7	0	5	Yes	5	Final report issued
Bancroft Redevelopment					2		2	Audit cancelled
Benefits Realisation – Office Accommodation Project					8	Yes	7	Fieldwork in progress
Careline					10	Yes	1.7	Planning in progress
Community Safety Partnership	Substantial	0	3	2	12	Yes	12	Final report issued
Consultants b/f	Moderate	6	6	2	1	Yes	1	Final report issued
Copyright Act – Software Licensing	Substantial	1	3	0	10	Yes	10	Final report issued
Corporate Business Planning					9	Yes - PWC	0	Planning in progress
Corporate Governance Arrangements					15	Yes	0	Audit to start in Q4
Council Tax					12	Yes	1.3	Planning in progress
Council Tax Benefits & Rent Allowances					15	Yes	7.9	Fieldwork in progress
Creditors					10	Yes	0.1	Audit to start in Q4
Debtors					10	Yes	0.1	Audit to start in Q4
Equalities & Diversity					8	Yes	7	Draft report issued
Externalisation of Document Management	Substantial	0	1	0	10	Yes	10	Final report issued
Follow Up					20		10.3	On-going
Grants to Voluntary & Community Groups and Individuals	Substantial	0	2	0	10	Yes	10	Final report issued

APPENDIX A PROGRESS AGAINST THE 2011-12 AUDIT PLAN AS AT 9 DECEMBER 2011

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Herts Recycling Consortium					12	Yes	2.3	Planning in progress
Home Improvement Grants	Substantial	3	5	0	10	Yes	10	Final report issued
Information sharing					10	Yes	9.9	Draft report issued
Internet & email					10	Yes	9.2	Fieldwork complete
Land Charges	Substantial	1	0	1	10	Yes	10	Final report issued
Leisure Management Contract	Substantial	1	2	3	10	Yes	10	Final report issued
Main Accounting System					12	Yes	6.4	Fieldwork in progress
Management Information					9	Yes	0	Audit to start in Q4
Mrs Howard Gardens Redevelopment					10		0.6	Audit cancelled
Members' Interests	Substantial	1	2	1	1	Yes	1	Final report issued
NNDR (to include Business Improvement Districts)					10	Yes	0.7	Planning in progress
Parking Services					15	Yes	2.3	Planning in progress
Payroll (inc Officers & Members)					15	Yes	13	Fieldwork complete
Risk Management					10	Yes	0	Audit to start in Q4
Risk of Fraud					10		3.6	Audit postponed until 2012-13 (see 2.4)
Sun Street	Not assessed				3	Yes	3	Final report issued
Client Liaison					40		16.1	On-going
District Consultancy					10		1.3	On-going
District Consultancy – Grounds Maintenance Contract	Full	1	0	0	0 (see above)	Yes	6	Final report issued
NNDR b/f from 2010-11	Substantial	1	1	1	0	Yes	0	Final report issued

APPENDIX A PROGRESS AGAINST THE 2011-12 AUDIT PLAN AS AT 9 DECEMBER 2011

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Treasury Management					8	Yes	7	Fieldwork complete
SIAS Training					10		10	Complete
NHDC TOTAL					407		212	

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
1.	Asset Management & Capital Accounting (2010-11)	The Asset Management Plan & Capital Strategy should be updated to reflect the current situation and be presented to Cabinet for approval.	<p>Due to reductions in funding leading to several rounds of service contraction, this area is in a state of flux. When the longer-term financial situation is clearer, a strategy can be produced.</p> <p>The initial phase of the review and development of the Asset Management Plan will be through the Asset Management Group. The situation will be formally reviewed at the Asset Management Group.</p>	Head of Finance, Performance & Asset Management	March 2012	N/A	To be followed up during 2011-12 Asset Management audit.
2.	Asset Management & Capital Accounting (2010-11)	Detailed reports, as required by the Council's Contract Procurement Rules, should be prepared prior to any disposal.	Full reports will be produced and reported to either the Asset Management Group or Cabinet as required.	Senior Estates Surveyor	Immediate		To be followed up during 2011-12 Asset Management audit.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
3.	NNDR (2010-11)	Remind officers of their authorisation levels to ensure that refunds are authorised as per the authorised signatory listings.	Agreed, email has already been sent reminding staff of their limits.	Revenues Manager	Implemented	N/A	To be followed up during 2011-12 NNDR audit.
4.	Consultants (2010-11)	<p>Regular reports of total expenditure on consultants should be made to a corporate forum to enable more effective corporate monitoring and management of this element of the Council's expenditure.</p> <p>Consideration be given to further analysis of expenditure between contracts <u>for</u> services (employed for specific projects) and contracts <u>of</u> service (to make up for deficiencies in in-house staff resources), to provide better and more accurate</p>	Reports on the expenditure on consultants should be made to every meeting of the Contracts & Procurement Group.	Head of Finance, Performance & Asset Management	Sep 2011	N/A	Follow up audit due March 2012.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		management information.					
5.	Consultants (2010-11)	<p>All consultancy appointments over £5,000 should be subject to Head of Service approval as required by the Contract Procurement Rules (30.1).</p> <p>Appointments over £50,000 should be approved by the Corporate Management Team (or project board if applicable).</p> <p>A pro forma for the approval of commissions over the specified amounts should be introduced. This to be based on the checklist provided at Part H of the Council's Contract Procurement</p>	<p>Officers will be reminded of the requirements of Contract Procurement Rules.</p> <p>This requirement will be considered for inclusion in the next revision of Contract Procurement Rules.</p> <p>A pro forma will be introduced and commissioning officers instructed to complete it.</p>	Head of Finance, Performance & Asset Management	<p>June 2011</p> <p>Dec 2011</p> <p>Sept 2011</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>Follow up audit due March 2012.</p> <p>Follow up audit due March 2012.</p> <p>Follow up audit due March 2012.</p>

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		<p>Rules. Copies should also be provided to the Procurement Officer and Group for monitoring purposes.</p>					
6.	Consultants (2010-11)	<p>All officers involved in the tendering process should be reminded of the correct procedures for the receipt and opening of tenders. It should be emphasised that these are applicable to all tenders, including framework contracts.</p>	<p>Staff will be reminded of the correct procedures to follow and of the need to comply with Contract Procurement Rules in all instances. In the longer-term the introduction of e-tendering should mitigate this problem.</p>	Procurement Officer	August 2011	N/A	Follow up audit due March 2012.
7.	Consultants (2010-11)	<p>Commissioning officers must be reminded of the need to comply with the Contract Procurement Rules in all instances.</p> <p>Officers responsible for procurement must be adequately trained in</p>	<p>Commissioning officers will be reminded of best practice. Intranet procurement pages will be updated.</p> <p>Procurement training for staff will ensure that all staff are aware of their responsibilities</p>	Procurement Officer	August 2011	N/A	Follow up audit due March 2012.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		their responsibilities.	and the requirements of Contract Procurement Rules.				
8.	Consultants (2010-11)	<p>Full documentation of all significant decisions and appointments relating to consultants should be produced and maintained.</p> <p>Evidence of compliance with Contract Procurement Rules and (where applicable) EU Regulations must be produced.</p> <p>All legal documents relating to the appointment of consultants should be securely retained within Legal Services.</p> <p>Reporting lines and responsibilities for the commissioning of work</p>	<p>Project management controls should be applied to all significant appointments, as laid down in the Council's approved procedures.</p> <p>Commissioning officers will be reminded of the correct procedures to follow.</p> <p>See rec. 6 above.</p> <p>This should be outlined from the beginning and form part of the pro-forma report required to be produced as part of the approval</p>	Head of Finance, Performance & Asset Management	June 2011	N/A	Follow up audit due March 2012.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		<p>and the supervision of consultants should be in place and transparent.</p> <p>Full consideration should be given to the likelihood that a small initial commission could lead on to a much larger piece of work with appropriate procurement arrangements being instituted at the beginning of the process and clear decision points being determined at appropriate stages.</p>	process.				
9.	Consultants (2010-11)	The Performance & Risk Manager should be consulted prior to any appointment to ensure that adequate insurances are in place and in order to comply with the Council's	Commissioning officers will be reminded of best practice. Intranet procurement pages will be updated as necessary to reinforce this requirement.	Procurement Officer & Contracts Solicitor	August 2011	N/A	Follow up audit due March 2012.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		<p>Contract Procurement Rules (30.2).</p> <p>Further guidance is given in Part H and in the Council's Procurement Guide. Commissioning officers should be reminded of this requirement.</p>	<p>Contract documents should make explicit the requirement to maintain professional indemnity insurance.</p>				
10	Copyright Act – Software Licensing	Record details of software held by the Council in the IT Asset Register.	I.T is developing an in-house software package which can accommodate both hardware and software assets. Phase 1 of this is complete and the I.T Business Team are currently carrying out a full audit of hardware assets and once this is complete software assets will be tagged against the asset.	ICT Manager	<p>Phase 1 – Software written</p> <p>Phase 2 – Physical floor walk Asset Audit which is due to be completed by end September</p> <p>Phase 3 – Commences mid October</p>	N/A	Follow up audit due March 2012.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
11	Home Improvement Grants	Grant application files should be held securely pending transfer to Northgate for scanning.	Revised storage arrangements to be put in place.	Strategic Housing Manager	End Aug 2011	N/A	Follow up audit due Feb 2012.
12	Home Improvement Grants	Access to open case files should be restricted to relevant officers.	Cabinet to be locked and access to the key restricted to officers who work on case files.	Strategic Housing Manager	End Aug 2011	N/A	Follow up audit due Feb 2012.
13	Home Improvement Grants	The Housing Strategy & Renewals team should seek and retain evidence from Land Charges that confirms a charge has been placed over the property.	Revised process to be agreed and implemented.	Strategic Housing Manager	End Sep 2011	N/A	Follow up audit due Feb 2012.
14	Land Charges	The files containing the grants should be checked to ensure that all grants have been entered onto the Land Charges Register. Once this has been	Files have been checked and 2 missing grants have now been entered into the register. No searches were carried out against the property. Automation of this	MSU Manager	July 2011	N/A	Follow up audit due Feb 2012.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		undertaken the system should be interrogated to ensure that all future charges are visible in the register.	process is underway by utilising the spatial capabilities.		Oct 2011		
15	Leisure Management Contract	A performance bond, as required under the conditions of contract should be obtained and filed with the signed contract documentation for all three contracts.	<p>Performance bonds have now been obtained for the Hitchin and Royston contracts.</p> <p>The Council is to review the need to obtain a bond for the extended period of the Letchworth contract and to consider other options to protect the Council's interests.</p>	Head of Leisure & Environmental Services / Contract and Projects Manager	<p>Implemented</p> <p>31 Dec 2011</p>	N/A	Follow up audit due Feb 2012.
16	Members' Interests (2010-11)	The spreadsheet of parish councillors should be cross-checked to the listing of parish councillors to ensure it represents a	Spreadsheet records to be checked and adjustments made where required.	Corporate Legal Manager	Dec 2011	N/A	Follow up audit due Apr 2012.

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 9 December 2011
		complete record.					
17	Grounds Maintenance Contract	For future tender exercises, the final version of a specification must be thoroughly checked prior to it being released to potential tenderers.	Whilst the Head of Finance can oversee the checking process, this task will need to be performed by a number of staff involved in the process. For example, Accountancy should be involved in assisting the project manager with the preparation of schedules and the Project Manager/Service lead, Procurement Officer and Legal Officer should check their relevant areas before the document is released.	Head of Finance, Performance & Asset Management	This will be an ongoing process for each Tender exercise arising.	N/A	Follow up audit due June 2012.

Please note, in accordance with normal follow arrangements, the status of agreed management actions is assessed approximately six months after issue of the final report.

APPENDIX C FINAL AUDIT REPORTS ('LIMITED' OR 'NO' ASSURANCE ONLY)

No audit reports issued in the period with 'Limited' or 'No' assurance.