North Herts District Council
Audit Committee Progress Report
18 June 2012

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 11 May 2012; and
- Agree removal of implemented high priority recommendations

Contents

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 2012-13 as at 11 May 2012.
b) Findings for the period 28 January 2012 to 11 May 2012 for audits assessed as 'Limited' or 'No' assurance (there were none in the period).
c) Proposed amendments to the approved 2012-13 Audit Plan.
d) Implementation status of previously agreed high priority audit recommendations and to agree removal of completed actions.
e) An update on performance management information as at 11 May 2012.

Background

1.2   The 2012-13 Annual Audit Plan was approved by the Finance, Audit & Risk Committee on 1 March 2012.

1.3   The Finance, Audit & Risk Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 1 March 2012.

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 11 May 2012, 4% of the 2012-13 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

2.2   The following 2011-12 reports and assignments have been issued in the period since 28 January 2012:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Risk Management	Feb '12	Substantial	one medium priority four merits attention
Benefits	Feb '12	Substantial	one high priority one medium priority
Main Accounting	Feb '12	Substantial	one medium priority one merits attention
Payroll	Mar '12	Substantial	one high priority three merits attention
Council Tax	Apr '12	Substantial	one medium priority two merits attention
NNDR	Apr '12	Substantial	one merits attention
Office Accommodation Project	Apr '12	Substantial	one high priority three medium priority
Asset Management	May '12	Substantial	two medium priority one merits attention

The complete account of the 2011-12 plan is presented in the Annual Report, elsewhere on the agenda.

No 2012-13 reports had been finalised at the cut-off date of this report: 11 May 2012.

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

Proposed Audit Plan Amendments

2.5   The 2011-12 Audit Plan included an audit of Careline which was planned for Q4. However, after the cut-off date for the last FAR Committee, this audit was deferred to 2012-13. As a result, an additional 10 days have been added to this year's plan to give a total number of planned days of 490.

Performance Management

2.6   Annual performance indicators and associated targets were approved by the SIAS Board in 2011.

2.7   As at 11 May 2012, the actual performance for North Herts against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Performance Target	Actual to 11 May 2012
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	4.4%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	0%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	N/A (no 12-13 reports yet finalised)
4. Number of High Priority Audit Recommendations agreed	95%	N/A (no 12-13 reports yet finalised)

2.8   In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2012-13 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.

2012-13 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Key Financial Systems								
Asset Management					12	No	0	
Council Tax					12	No	0	
Creditors					12	No	0	
Debtors					12	No	0	
Housing Benefits					12	No	0	
Main Accounting					12	No	0	
NNDR					12	No	0	
Payroll					12	No	0	
Treasury					8	No	0	
Operational Audits								
Absence Management					10	Yes	0	Audit to commence Q1
Authorisations and Delegations					12	Yes	0.1	Planning in progress
BACS					8	No	0	
Careline					10	Yes	0.2	Planning in progress
Data Protection					12	No	0	
Debt Recovery					12	No	0	
Environmental Enforcement					5	No	0	
Fees and Charges					12	No	0	
Financial Regulations Benchmarking					4	Yes	0.5	Planning commenced

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Freedom of Information					10	No	0	
Housing Strategy					6	Yes	0	Audit to commence Q1
Learning and Development					8	Yes	5.8	Fieldwork in progress
Licensing					12	No	0	
Parking Strategy					8	No	0	
Performance Management					8	Yes	4.0	Fieldwork in progress
Preparation for Universal Credits					8	No	0	
Shared Services					15	No	0	
Utilities					6	Yes	0.1	Planning in progress
VAT					8	No	0	
Procurement								
Procurement Baseline Assessment					15	No	0	
Grounds Maintenance					10	No	0	
Mrs Howard Gardens					10	Yes	0.3	Planning in progress
North Herts Museum Service					8	No	0	
Tree Maintenance					8	No	0	
Waste Management – Waste Transfer Station					8	No	0	
Counter Fraud								
Fraud Baseline Assessment					10	Yes	0.2	Planning in progress
Risk Management & Governance								
Corporate Governance					12	No	0	
IT Audits								

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
IT Baseline Assessment					10	Yes – PWC	0	Planning in progress
IT Audit Needs Assessment					10	No	0	
IT Helpdesk					10	No	0	
IT Penetration Testing					6	No	0	
Completion of 2011-12 audits								
Asset Management 2011-12	Substantial	0	2	1	0	Yes	0.3	Final report issued
Council Tax 2011-12	Substantial	0	1	2	0.5	Yes	0.9	Final report issued
NNDR 2011-12	Substantial	0	0	1	0.5	Yes	1.0	Final report issued
PWC completion work					9	N/A	1.6	
Contingency								
North Herts Postal Votes	Not Assessed				1	Yes	1.1	Completed
To be allocated					19	N/A	0	On-going
Follow Up Audits								
Follow up of high priority recommendations					15	N/A	1.2	On-going
Strategic Support								
Strategic Support					50	N/A	3.6	On-going
NHDC TOTAL					**490**		**20.9**	

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 at 11 May 2012	Status of Progress
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.	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.\n\nThe 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.	Head of Finance, Performance & Asset Management	March 2012	Jan 12:\nThe longer term financial situation remains unclear, even though this was initially forecast by Government to be resolved by the end of 2011. Nevertheless, work will begin on updating the council's capital strategy and asset management plan shortly. However, the completion date may need to slip beyond March due to slippage in the Government's proposals.	The draft 2012-13 Asset Management Plan was approved at the Asset Management Group on 15 February 2012. The plan is a framework for future actions which are presented to Cabinet as required.	Complete – remove from list
2	NNDR (2010-11)	Remind officers of their authorisation levels to ensure that	Agreed, email has already been sent reminding staff of	Revenues Manager	Implemented	Jan 12:\nImplemented	Sample of refunds checked during 2011-12 NNDR	Complete – remove from list

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		refunds are authorised as per the authorised signatory listings.	their limits.				audit and all were found to be correctly authorised.	
3	Consultants (2010-11)	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. Consideration should be given to further analysis of expenditure between contracts for services (employed for specific projects) and contracts of service (to make up for deficiencies in in-house staff	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	Jan 12: Implemented	Agenda item at Contracts Procurement Group. Spreadsheet circulated for discussion at the meeting showing the spend on consultants	Complete – remove from list

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		resources), to provide better and more accurate management information.						
4	Consultants (2010-11)	All consultancy appointments over £5,000 should be subject to Head of Service approval as required by the Contract Procurement Rules (30.1).	Officers will be reminded of the requirements of Contract Procurement Rules.	Head of Finance, Performance & Asset Management	June 2011	Jan 12: Reminders have been given via the Contracts & Procurement Group and will be factored into training.	Contracts & Procurement Group now meets regularly (last meetings 6 March and 24 April 2012).	Complete – remove from list
		Appointments over £50,000 should be approved by the Corporate Management Team (or project board if applicable).	This requirement will be considered for inclusion in the next revision of Contract Procurement Rules.		Dec 2011	May 12: 2012-13 revision of Contract Procurement Rules planned for reporting to September 2012 FAR committee.	Still outstanding. Review due scheduled.	0% complete Continue to monitor
		A pro forma for the	A pro forma will be		Sept 2011	Jan 12:	Contracts Procurement Group	Complete –

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		approval of commissions over the specified amounts should be introduced. This should be based on the checklist provided at Part H of the Council's Contract Procurement Rules. Copies should also be provided to the Procurement Officer and Group for monitoring purposes.	introduced and commissioning officers instructed to complete it.			This has been flagged with the Contracts & Procurement Group and will be factored into training.	now meets regularly.	remove from list
5	Consultants (2010-11)	Full documentation of all significant decisions and appointments relating to consultants should be produced and maintained.

Evidence of compliance with Contract Procurement Rules | Project management controls should be applied to all significant appointments, as laid down in the Council's approved procedures.

Commissioning officers will be | Head of Finance, Performance & Asset Management | June 2011 | Jan 12: Reminders have been given via the Contracts & Procurement Group and will be factored into training. | The Council's Intranet pages have been updated with the guidance.

2012-13 revision of Contract Procurement Rules in progress and due to conclude by September 2012. | Complete – remove from list |

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		and (where applicable) EU Regulations must be produced. All legal documents relating to the appointment of consultants should be securely retained within Legal Services. Reporting lines and responsibilities for the commissioning of work and the supervision of consultants should be in place and transparent. Full consideration should be given to the likelihood that a small initial commission could lead on to a much larger piece of work	reminded of the correct procedures to follow. This should be outlined from the beginning and form part of the pro-forma report required to be produced as part of the approval process.					

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		with appropriate procurement arrangements being instituted at the beginning of the process and clear decision points being determined at appropriate stages.						
6	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 Contract Procurement Rules (30.2). Further guidance is given in Part H and in the Council's Procurement Guide. Commissioning officers should be	Commissioning officers will be reminded of best practice. Intranet procurement pages will be updated as necessary to reinforce this requirement. Contract documents should make explicit the requirement to maintain professional indemnity insurance.	Procurement Officer & Contracts Solicitor	August 2011	07/01/12: Reminders have been given via the Contracts & Procurement Group and will be factored into training.	Contracts & Procurement Group now meets regularly (last meetings 6 March and 24 April 2012). The Council's Intranet pages have been updated. 2012-13 revision of Contract Procurement Rules scheduled.	66% complete Continue to monitor

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		reminded of this requirement.						
7	Copyright Act – Software Licensing (26/09/11)	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	Phase 1 – Software written

Phase 2 – Physical floor walk Asset Audit which is due to be completed by end September

Phase 3 – Commences mid October | 26/04/12; IT is developing an in-house software package which can accommodate both hardware and software assets. Phase 1 of this is complete and the IT Business Team are currently carrying out a full audit of hardware assets. Once this is complete software assets will be tagged.

As there is an unbudgeted cost of £15k for the software, this is now on hold pending the | Software assets not yet tagged and decision whether to proceed is on hold pending the result of the Shared Services initiative on IT. | 90% complete

Continue to monitor |

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 11 May 2012	Status of Progress
						outcome of the Shared Services review.		
8	Leisure Management Contract (01/09/11)	A performance bond, as required under the conditions of contract should be obtained and filed with the signed contract documentation for all three contracts.	Performance bonds have now been obtained for the Hitchin and Royston contracts. 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.	Head of Leisure & Environmental Services / Contract and Projects Manager	Implemented 31 Dec 2011	Bonds now obtained for Hitchin and Royston contracts. A performance bond was obtained for the initial five year period of the contract for Letchworth. A bond is not considered necessary for the period of the contract extension.	Bonds now obtained where required.	Complete – remove from list
9	Members' Interests (2010-11)	The spreadsheet of parish councillors should be cross-checked to the listing of parish councillors	Spreadsheet records to be checked and adjustments made where required.	Corporate Legal Manager	Dec 2011	Spreadsheet updated Dec 2011.	Spreadsheet updated.	Complete – remove from list

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		to ensure it represents a complete record.						
10	Information Sharing (06/02/12)	Produce an overarching guide on information sharing requirements to inform staff, members, partners and contractors of their responsibility for effective data management.	It is possible to write an overarching information sharing protocol. This will be a very high level document as the current data sharing protocols are very different due to the type of data that is involved and with what company/authority the data is being shared with.	IT Business Manager	30 April 2012	Apr 12; Draft document reviewed and agreed by the Information Management Group on 30 March 2012. Draft with Head of Revenues, Benefits & IT for final approval before publication.	No further comment.	90% complete Continue to monitor
11	Information Sharing (06/02/12)	Identify data sharing flows taking place across the Council and assess the sensitivity of the data.	Work has started in this area. Attendance at team meetings to discuss the process and frequency of	IT Business Manager	30 April 2012	Mar 12; Attended team meetings to establish what data is being shared with other	Register verified.	Complete – remove from list

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			shared data. This will provide details of which services are currently sharing data with external organisations. Email audit is in progress to identify types of personal information that is currently leaving the Authority. From this new processes will be written and implemented.			organisations as well as auditing emails to see what sensitive data is being released outside of North Herts. .		
12	Information Sharing (06/02/12)	Record information sharing flows in a central register. Indicate whether a protocol has been produced and if so, the date of next review.	Central Register to be created and monitored for existing and new Information Sharing Protocols.	IT Business Manager	30 April 2012	Apr 12; Register now in place and controlled by the IT Business Manager	Register verified.	Complete – remove from list

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13	Information Sharing (06/02/12)	Implement a process to ensure information sharing activities are monitored for compliance with the Data Protection Act and decisions whether or not to proceed are recorded.	Following the team meetings and email audit it will be possible to create a record of information that leaves the Authority. The Data Protection Officer will then be in a position to monitor this information to make sure that it complies with the Data Protection Act.	IT Business Manager and Head of Revenues, Benefits and IT	30 April 2012	Apr 12; Monthly audits are done at the beginning of every month by the IT Business Manager to check on the types of email being sent out from the authority via web services. Any discrepancies are reported to the HoS and ICT Manager and investigated. `	Register verified.	Complete – remove from list
14	Payroll (13/03/12)	Approval of the monthly BACS payroll payment to be in accordance with the Council's Authorised Signatory Listing.	Liaise with relevant authorised signatory (John Robinson, Strategic Director) to seek agreement for them to approve (by countersigning the BACS report) any payments in excess	HR Services Manager	Immediate and completed	None obtained	No BACS payroll payments over £700k since the audit. Therefore cannot test this control.	Progress cannot be verified. Continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 11 May 2012	Status of Progress
			of HR Services Managers Limit.					
15	Housing & Council Tax Benefits (23/02/12)	Write-offs to be approved in accordance with delegation limits listed in Financial Regulations.	Checks are the responsibility of the officer who receives the sheet back from the Head of Revenues, Benefits & IT. Staff have been reminded of the need to check that appropriate authorisation has been obtained prior to writing off amounts.	Systems & Technical Manager	Immediately	None obtained	The Benefits Overpayment Write-off Report for March 2012 includes one case requiring additional authorisation at Portfolio Holder level. No evidence of whether or not additional approval has been obtained could be located	Progress not determined.\n\nContinue to monitor
16	Benefits Realisation – Office Accommodation Project (22/03/12)	Establish a formal project group to support clearance of the Secondary Centre which:\n\n1. Establishes a named project manager with	Head of Revenues, Benefits & IT will take on this role	Head of Finance, Performance & Asset Management / Head of Revenues, Benefits & IT	Completed 05/03/2012	Document owners to mark up papers for retention or destruction. Arrangements will be made to comply with those requirements.	On-track for delivery of actions by original final target date of 31/05/12.	66% complete\n\nContinue to monitor

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		oversight of the project. 2 Establishes ownership of the records and ensure that the owners are part of the project.	This has been completed and all staff have been advised of the procedures to be adopted to clear the buildings		Completed 14/03/2012	Procedures to be put in place to ensure regular and timely disposal / archiving takes place in the future.		
		3. Reviews the nature/age of the retained documents and prioritise the storage and disposal arrangements.	Document owners have until 30/04/2012 to mark up papers for retention or destruction. Arrangements will then be made to comply with those requirements by 31/05/2012		Due 31/05/2012			
		4. Sets timeframes for achieving the outcomes of this project.	Done as above		Completed 05/03/2012			
		5. Calculates and obtains funding for the project.	Funding from the Strategic Priorities		Completed 05/03/2012			

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		6. Puts procedures in place to ensure regular and timely disposal/archiving takes place in the future.	Fund has been approved Will be in place by the end of May		Due 31/05/2012			