North Herts District Council
Audit Committee Progress Report
20 September 2012

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 24 August 2012; and
- Agree removal of implemented high priority recommendations

Contents

1. Introduction and Background

<u>Purpose of Report</u>

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 24 August 2012.

    b) Findings for the period 12 May 2012 to 24 August 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 24 August 2012.

<u>Background</u>

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 18 June 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

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 24 August 2012, 26.7% 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 12 May 2012:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Corporate Business Planning	Jun '12	Substantial	two medium one merits attention
Car Parking	Jun '12	Substantial	two medium four merits attention
Creditors	Jun '12	Substantial	one high five merits attention
Debtors	Jun '12	Substantial	one medium four merits attention

The following 2012-13 reports and assignments have been issued in the period since 12 May 2012:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Performance Management	Jul '12	Substantial	one medium one merits attention
Learning & Development	Jul '12	Substantial	two medium two merits attention

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 No amendments to the 2012-13 Plan are proposed at this time.

Performance Management

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

2.7 As at 24 August 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	Annual Target	Profiled Target	Actual to 24 August 2012
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	30%	26.7%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	20%	15%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	95%	No high priority recs made yet

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								
Authorisations and Delegations					12	Yes	11	Draft report issued
BACS					8	No	0	
Careline					10	Yes	9	Draft report issued
Data Protection					12	Yes	0.5	Planning in progress
Debt Recovery					12	Yes	5.1	Fieldwork in progress
Environmental Enforcement					5	No	0	
Fees and Charges					12	Yes	5.5	Fieldwork in progress
Financial Regulations Benchmarking					4	Yes	3.6	Fieldwork complete, awaiting quality review

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	4.5	Draft report issued
Learning and Development	Substantial	0	2	2	8	Yes	8	Final report issued
Licensing					12	No	0	
Long-term Absence Management					10	Yes	9	Fieldwork in progress
Parking Strategy					8	No	0	
Performance Management	Substantial	0	1	1	8	Yes	8	Final report issued
Preparation for Universal Credits					8	No	0	
Shared Services					15	No	0	
Utilities					6	Yes	5.5	Draft report issued
VAT					8	No	0	
Procurement								
Procurement Baseline Assessment					15	Yes	6.7	Fieldwork in progress
Grounds Maintenance					10	No	0	
Mrs Howard Gardens					10	Yes	9	Fieldwork complete, awaiting quality review
North Herts Museum Service					8	No	0	
Tree Maintenance					8	No	5.3	Fieldwork in progress
Waste Management – Waste Transfer Station					8	No	0	
Counter Fraud								
Fraud Baseline Assessment					10	Yes	7	Fieldwork in progress
Risk Management & Governance								

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Corporate Governance					12	No	0	
IT Audits								
IT Baseline Assessment					10	Yes (PWC)	0	On-hold pending shared services
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	Final report issued
Council Tax 2011-12	Substantial	0	1	2	0.5	Yes	0.5	Final report issued
NNDR 2011-12	Substantial	0	0	1	0.5	Yes	0.5	Final report issued
PWC completion work					9	N/A	9	Completed
Contingency								
North Herts Postal Votes	Not Assessed				1	Yes	1.1	Completed
Additional work on Careline audit					1	Yes	0.5	Draft report issued
<3 hour queries	Not Assessed				3	Yes	0.4	On-going
To be allocated					15	N/A	0	On-going
Follow Up Audits								
Follow up of high priority recommendations					15	N/A	4.2	On-going
Strategic Support								
Strategic Support					50	N/A	16.7	On-going
NHDC TOTAL					**490**		**130.6**	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 24 August 2012	Status of Progress
1	Consultants (2010-11)	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.	Head of Finance, Performance & Asset Management	Dec 2011	May 12: 2012-13 revision of Contract Procurement Rules planned for reporting to September 2012 FAR committee. Aug 12: Procurement rules update due to go to Contracts & Procurement Group in September and the FAR Committee in December.	Still outstanding. Review scheduled.	50% complete Continue to monitor
2	Consultants (2010-11)	The Performance & Risk Manager should be consulted prior to any appointment to	Commissioning officers will be reminded of best practice. Intranet procurement	Procurement Officer & Contracts Solicitor	August 2011	07/01/12: Reminders have been given via the Contracts & Procurement	Contracts & Procurement Group now meets regularly (last meetings 6 March	66% complete Continue to monitor

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		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 reminded of this requirement.	pages will be updated as necessary to reinforce this requirement. Contract documents should make explicit the requirement to maintain professional indemnity insurance.			Group and will be factored into training. Aug 12: Procurement rules update due to go to Contracts & Procurement Group in September and the FAR Committee in December	and 24 April 2012). The Council's Intranet pages have been updated. 2012-13 revision of Contract Procurement Rules now scheduled.	
3	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	ICT Manager	Phase 1 – Software written Phase 2 – Physical floor walk Asset	26/04/12; IT is developing an in-house software package which can accommodate	Software assets not yet tagged and decision whether to proceed is on hold pending the result of the	90% complete Continue to monitor

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			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.		Audit which is due to be completed by end September Phase 3 – Commences mid October	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 outcome of the Shared Services review.	Shared Services initiative on IT.	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 24 August 2012	Status of Progress
4	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. Aug 12: Draft reviewed by the Head of Revenues, Benefits & IT and is on the SMT agenda for 4 September for formal adoption.	No further comment.	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 24 August 2012	Status of Progress
5	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 of HR Services Managers Limit.	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 |
| 6 | 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 | Systems & Technical Manager | Immediately | None | The Benefits Overpayment Write-off Report for March 2012 has not yet been counter-signed by the Portfolio Holder, indicating that there is still | 0% complete

Continue to monitor |

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			been reminded of the need to check that appropriate authorisation has been obtained prior to writing off amounts.				no effective process in place to obtain the additional sign-off required by Financial Regulations.	
7	Benefits Realisation – Office Accommodation Project (22/03/12)	Establish a formal project group to support clearance of the Secondary Centre which: 1. Establishes a named project manager with oversight of the project. 2 Establishes ownership of the records and ensure that the owners are part of the project.	Head of Revenues, Benefits & IT will take on this role This has been completed and all staff have been advised of the procedures to be adopted to clear	Head of Finance, Performance & Asset Management / Head of Revenues, Benefits & IT	Completed 05/03/2012 Completed 14/03/2012	Documents previously stored in the Secondary Centre have been transferred to a new site in Royston or shredded via a confidential service. Information Systems Manager, Toby Le Sage will take ownership of periodically (quarterly or	A review of the effectiveness of these arrangements will be considered for inclusion in the scope of the Data Protection audit planned for Q3/Q4.	Complete – remove from list

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			the buildings			more regularly) ensuring confidential destruction of boxes that have reached their destruction date. The traffic in new boxes going to storage will be minimal due to the roll-out of document scanning. Where necessary, these will be moved into storage by Facilities.		
		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 Fund has been approved		Completed 05/03/2012			
		6. Puts procedures	Will be in place by		Due			

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		in place to ensure regular and timely disposal/archiving takes place in the future.	the end of May		31/05/2012			
8	Creditors (16/07/12)	Supplier forms should be annotated to confirm that bank details have been independently verified. A report of new suppliers and of changes made to existing supplier standing data should be generated and be subject to independent review.	Agreed	Payment & Reconciliation Manager	August 2012	Changes to bank details are now verified with the supplier and supplier forms annotated accordingly. A monthly check of changes to bank details will be undertaken by the Payments and Reconciliations Manager from August onwards.	Action on track with original target date.	50% complete Continue to monitor