North Herts District Council
Audit Committee Progress Report
6 December 2012

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report

- Approve the amendments to the Audit Plan as at 9 November 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 9 November 2012.
    b) Findings for the period 25 August 2012 to 9 November 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 9 November 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 20 September 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 9 November 2012, 41% 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 2012-13 reports and assignments have been issued in the period since 25 August 2012 (cut-off date of the last SIAS Update Report):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Careline	Aug '12	Full	none
Utilities	Aug '12	Substantial	two medium three merits attention

Housing Strategy	Sep '12	Moderate	two medium
Fees and Charges	Oct '12	Full	none
Authorisations and Delegations	Oct '12	Moderate	two medium six merits attention
Long-term Absence Management	Oct '12	Substantial	three merits attention
Tree Maintenance	Oct '12	Substantial	two medium two merits attention
Debt Recovery	Oct '12	Substantial	one high one merits attention
Procurement Baseline Assessment	Oct '12	Substantial	four medium
Mrs Howard Gardens	Nov '12	Moderate	eight medium one 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, including those now assessed as complete and due to be removed from the list.

Proposed Audit Plan Amendments

2.5 The 2012-13 Audit Plan included an audit of Shared Services, however given recent developments, this audit is no longer considered to be relevant. Discussions are in progress to identify alternative areas of audit activity. If appropriate, a verbal update on this will be provided at the committee meeting.

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

2.7   As at 9 November 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 9 November 2012
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	45%	41%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	40%	35%
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%	100%

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	Yes	0.5	Planning in progress
Council Tax					12	Yes	5	Fieldwork in progress
Creditors					12	Yes	1.1	Planning in progress
Debtors					12	Yes	1.1	Planning in progress
Housing Benefits					12	Yes	1.6	Planning in progress
Main Accounting					12	Yes	1	Planning in progress
NNDR					12	Yes	0.4	Planning in progress
Payroll					12	Yes	1.5	Planning in progress
Treasury					8	Yes	0	Planning in progress
Operational Audits								
Authorisations and Delegations	Moderate	0	2	6	12	Yes	12	Final report issued
BACS					8	Yes	0.8	Planning in progress
Careline	Full	0	0	0	10	Yes	10	Final report issued
Data Protection					12	Yes	0.9	Planning in progress
Debt Recovery	Substantial	1	0	1	12	Yes	12	Final report issued
Environmental Enforcement					5	Yes	0	Planned for Q4
Fees and Charges	Full	0	0	0	12	Yes	12	Final report issued
Financial Regulations Benchmarking					4	Yes	3.8	Draft report issued
Freedom of Information					10	Yes	5.4	Fieldwork in progress

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
Housing Strategy	Moderate	0	2	0	6	Yes	6	Final report issued
Learning and Development	Substantial	0	2	2	8	Yes	8	Final report issued
Licensing					12	Yes	0	Planned for Q4
Long-term Absence Management	Substantial	0	0	3	10	Yes	10	Final report issued
Parking Strategy					8		0	Timing to be confirmed
Performance Management	Substantial	0	1	1	8	Yes	8	Final report issued
Preparation for Universal Credits					8	Yes	0.9	Planning in progress
Shared Services					15	N/A	N/A	Audit to be cancelled – see section 2.5
Utilities	Substantial	0	2	3	6	Yes	6	Final report issued
VAT					8	Yes	0.6	Planning in progress
Procurement								
Procurement Baseline Assessment	Substantial	0	4	0	15	Yes	15	Final report issued
Grounds Maintenance					10	Yes	0	Planned for Q4
Mrs Howard Gardens	Moderate	0	8	1	10	Yes	10	Final report issued
North Herts Museum Service					8	Yes	0	Planned for Q4
Tree Maintenance	Substantial	0	2	2	8	Yes	8	Final report issued
Waste Management – Waste Transfer Station					8	Yes	0	Planned for Q4
Counter Fraud								
Fraud Baseline Assessment					10	Yes	9	Draft report issued
Risk Management & Governance								
Corporate Governance					12	Yes	0.9	Planning in progress

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	L				
IT Audits								
IT Baseline Assessment					10	Yes	0	Due to start Jan 13
IT Audit Needs Assessment					10	TBC	0	Timing to be confirmed
IT Helpdesk					10	Yes	1.5	Planning in progress
IT Penetration Testing					6	Yes	3.5	Fieldwork in progress
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				2	Yes	2	Completed
Additional work on Careline audit	See Careline				1	Yes	1	Completed
Additional work on Procurement Baseline audit	See Procurement Baseline				1	Yes	1	Completed
<3 hour queries	Not Assessed				3	Yes	0.4	On-going
To be allocated					13	N/A	0	On-going
Follow Up Audits								
Follow up of high priority recommendations					15	N/A	5.3	On-going
Strategic Support								
Strategic Support					50	N/A	24.3	On-going
NHDC TOTAL					**490**		**200.5**	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 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 Sep 12 FAR Committee. Aug 12: Procurement rules update due to go to Contracts & Procurement Group (CPG) in Sep 12 and FAR Committee in Dec 12. Nov 12: Procurement rules update has gone to CPG for review. Plan is – Procurement Strategy to Dec 12 FAR Committee;	Contract Procurement Rules update awaiting final approval. Now expected Jan 13.	80% complete Continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
						Contract Procurement Rules update to Jan 13 FAR Committee.		
2	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 reminded of this requirement.	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	Aug 2011	Jan 12: Reminders have been given via the Contracts & Procurement Group and will be factored into training. Aug 12: Procurement rules update due to go to Contracts & Procurement Group (CPG) n Sep 12 and FAR Committee in Dec 12. Nov 12: Procurement rules update has gone	Contracts & Procurement Group now meets regularly. The Council's Intranet pages have been updated. 2012-13 revision of Contract Procurement Rules awaiting final approval by the FAR Committee. Now expected Jan 13.	80% complete Continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
						to CPG for review. Plan is – Procurement Strategy to Dec 12 FAR Committee; Contract Procurement Rules update to Jan 13 FAR Committee.		
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 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	ICT Manager	Phase 1 – Software written Phase 2 – Physical floor walk Asset Audit which is due to be completed by end Sep 2011 Phase 3 – Commences mid Oct 2011	Apr 12: IT is developing an in-house software package to accommodate hardware and software assets. Phase 1 is complete. The IT Business Team is currently carrying out a full audit of hardware assets. Once this is complete software	Software assets not yet tagged. Service Plan action to conclude this issue has been delayed as a result of resources allocated to shared services.	66% complete Continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
			be tagged against the asset.			assets will be tagged. Nov 12: The addition of software licences is not complete. Software licences change on a regular basis and creation of a central register of what we currently hold is on the 12-13 Service Plan. As reported during the year, the I.T Service Plan is behind schedule due to shared services and the amount of work we had to put into this over the last 22 months.		
4	Information Sharing	Produce an overarching guide on	It is possible to write an	IT Business Manager	Apr 2012	Apr 12; Draft document	Guide agreed, signed-off and	Complete – remove from

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
	(06/02/12)	information sharing requirements to inform staff, members, partners and contractors of their responsibility for effective data management.	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.			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. Nov 12: The Information Sharing Protocol has been agreed by SMT and the Legal Team and is being rolled out to	currently being rolled out.	list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
						our partners via the Information Team.		
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 been reminded of the need to check that appropriate authorisation has	Systems & Technical Manager	Immediately	None	A revised write-off process has been agreed and implemented. This will be assessed during the forthcoming 2012-13 Revenues and Benefits audits.	50% complete Continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
			been obtained prior to writing off amounts.					
7	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	Aug 2012	Aug 12: 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. Nov 12: Monthly check by Payments and Reconciliations Manager now in operation.	Risk now mitigated by effective management controls.	Complete – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 9 November 2012	Status of Progress
8	Debt Recovery (12/10/12)	The process for dealing with Housing Benefit Overpayments should be finalised and guidance procedures for both Sundry Debtor and Housing Benefit Overpayment Debt Recovery should be formally documented and distributed to the Revenues Recovery Team.	The process for Housing Benefit Overpayments will be finalised and once the procedures for both Sundry Debtor and Housing Benefit Overpayment Debt Recovery have been tested to ensure that they work, they will be distributed to all staff.	Revenues Manager	Jan 2013	None requested	No update obtained as audit only recently concluded.	Progress not assessed - Continue to monitor