SIAS
Shared Internal Audit Service
Hertfordshire in Partnership

North Herts District Council
Audit Committee Progress Report
13 June 2013

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 17 May 2013; 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 2013-14 as at 17 May 2013.

    b) Findings for the period 2 March 2013 to 17 May 2013 for audits assessed as 'Limited', or 'No' assurance (there were none in the period).

    c) Proposed amendments to the approved 2013-14 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 17 May 2013.

Background

1.2 The 2013-14 Annual Audit Plan was approved by the Finance, Audit & Risk Committee on 20 March 2013.

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 March 2013.

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 17 May 2013, 9.5% of the 2013-14 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 1 March 2013 (cut-off date for the SIAS Update Report for 20 March 2013 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Benefits	Mar '13	Full	none
Preparation for Universal Credits	Mar '13	Substantial	none – further review planned for Q1 13-14 to assess the implementation of latest changes
Asset Management	Apr '13	Substantial	four merits attention
BACS	Apr '13	Substantial	one medium three merits attention
Creditors	Apr ' 13	Substantial	four merits attention
Debtors	Apr '13	Substantial	one medium two merits attention
Environmental Enforcement – Collection of stray dogs contract	Apr '13	Full	none
Grounds Maintenance	Apr '13	Substantial	five medium one merits attention
IT Baseline Assessment	Apr '13	N/A	n/a – benchmarking review
Main Accounting	Apr '13	Substantial	one medium five merits attention
Parking Strategy	Apr '13	Full	none
Payroll	Apr '13	Substantial	one medium one merits attention
Sport North Herts	Apr '13	Substantial	one merits attention
Treasury Management	Apr '13	Substantial	one medium three merits attention

The complete account of the 2012-13 Plan is presented in the Annual Report, elsewhere on the agenda.

No 2013-14 reports had been finalised at the cut-off date for this update report (17 May 2013). The status of 2013-14 audits is noted 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.

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   No changes to the 2013-14 Audit Plan are brought to this Committee.

Performance Management

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

2.7   As at 17 May 2013, 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 to 17 May 2013	Actual to 17 May 2013
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	10%	9.5%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	0%	0%
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%	None made

2.8   In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2013-14 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.

2013-14 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems								
Asset Management					12	No		Target Q3/4
Benefits & Rent Allowances					14	No		Target Q3/4
Council Tax					12	No		Target Q3/4
Creditors					12	No		Target Q3/4
Debtors					12	No		Target Q3/4
Main Accounting					12	No		Target Q3/4
NNDR					12	No		Target Q3/4
Payroll					12	No		Target Q3/4
Treasury					8	No		Target Q3
Operational Audits								
Area Committee Grants					15	Yes	1	In planning
Assets of Community Value					10	No		Target Q2
Community Partnerships					8	Yes	6	In fieldwork
Consultation for Local Development Plan Framework					10	No		Target Q2
Council Tax - Amendments					5	No		Target Q1
Document Retention					12	Yes	0.5	In planning
Equalities					10	No		Target Q2
Green Spaces Strategy					20	Yes	1	In planning
Home Improvement Grants (Disabled Facilities)					6	No		Target Q3

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Housing Allocations & Nominations					6	Yes	4	In fieldwork
Increasing Financial Hardship					12	Yes	5	In fieldwork
Managing Change					12	No		Target Quarter tbc
Parking Strategy					6	No	1	In fieldwork
Partnerships					12	Yes	4	In fieldwork
Safe Staffing					10	Yes	3	In planning
Subsidised Services					10	Yes	0.5	In planning
Procurement								
Contract Management					12	No		Target Q3
Letchworth Contract					10	No		Target Q2
Procurement					12	No		Target Q3
Counter Fraud								
TBC					10	No		Target Quarter tbc
Joint Reviews								
Managing Money					2	No		Target Quarter tbc
Herts Waste Partnership					2	No		Target Quarter tbc
IT Audits								
Cash Receipting System (Post Implementation Review)					10	No		Target Q2
Email Encryption					10	No		Target Q2
Open Data					10	Yes	3	In fieldwork
TBC					10	No		Target Quarter tbc
Contingency								

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Postal Votes					1	N/A	1	Completed
Review of FAR Committee					2	N/A	2	Completed
To be applied as required					17	N/A		On-going
Follow Up Audits								
Follow up of high priority audit recommendations					7	N/A	1	On-going
Strategic Support								
Strategic Support					50	N/A	5	On-going
Completion of 2012-13 audits								
Allowance for any work remaining from the 2012-13 plan					5	N/A	4	On-going
NHDC TOTAL					**440**		**42**	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment at 17 May 2013	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	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 to Jan 13 FAR. Feb 13: Procurement Rules will now be taken to FAR Committee in new	Contract Procurement Rules update on agenda for 13 June FAR Committee.	**80% complete - continue to monitor**

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment at 17 May 2013	Status of Progress
						civic year. Assessment of rules is now also seeking to align with intentions of Public Services (Social Value) Act as well as Localism Act. May 13: Update going to June FAR before approval by Cabinet and Full Council.		
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	Commissioning officers will be reminded of best practice. Intranet procurement pages will be updated as necessary to reinforce this requirement.	Procurement Officer & Contracts Solicitor	Aug 2011	Aug 12: Procurement rules update due to go to Contracts & Procurement Group (CPG) n Sep 12 and FAR Committee in Dec 12.	Contract Procurement Rules update on agenda for 13 June FAR Committee.	**80% complete - continue to monitor**

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		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.	Contract documents should make explicit the requirement to maintain professional indemnity insurance.			Nov 12: Procurement rules update has gone to CPG for review. Plan is – Procurement Strategy to Dec 12 FAR Committee; Contract Procurement Rules update to Jan 13 FAR Committee. Feb 13: Procurement Rules will now be taken to FAR Committee in new civic year. Assessment of Rules is now also seeking to align with intentions of Public Services (Social Value) Act		

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						as well as Localism Act. May 13: Update going to June FAR before approval by Cabinet and Full Council.		
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 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 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 assets will be tagged.	Software assets not yet tagged. Service Plan action to conclude this issue has been delayed as a result of resources allocated to shared services.	**Complete – remove from list**

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						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 IT 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. Feb 13: This is still outstanding. This will be included within the IT		

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 (2012 & 2013 only)	SIAS Comment at 17 May 2013	Status of Progress
						Service Plan for 2013-14. May 13: The position is the full list of Software Licences is now complete, including details of the annual costs and the last ledger invoice reference for ease of tracking the data. There is information about how many licences included which is taken from the invoices and is accurate and up to date. This addresses the audit action. The new Business Team Apprentice will carry out a full		

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						review with all the suppliers and senior customers in-house to ensure the software listed is still required. This additional review, above and beyond the original audit action, is expected to be completed by October 2013. We have scheduled in May an online demo with a supplier called SNOW and then a product review with a supplier called FAST to try and gauge the costs of any potential solution available that can monitor licence usage		

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment at 17 May 2013	Status of Progress
						across the Servers.		
4	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	No BACS payroll payments over £700k since the audit. Therefore cannot test this control.	**Progress cannot be verified at this stage - continue to monitor**