



North Herts District Council  
Audit Committee Progress Report  
5 December 2013

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 8 November 2013;
- Approve the amendments to the Audit Plan as at 8 November 2013; and
- Agree removal of implemented high priority recommendations.

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# 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 8 November 2013.
  - b) Findings for the period 24 August 2013 to 8 November 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 8 November 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 19 September 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 8 November 2013, 48% 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 2013-14 reports have been finalised since the last FAR Committee. The current status of all 2013-14 audits is noted in Appendix A.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Green Space Management Strategy	Oct '13	Substantial	one medium
Area Committee Grants	Oct '13	Substantial	one medium two merits attention
Assets of Community Value	Oct '13	Moderate	one high one merits attention
Safe Staffing	Oct '13	Substantial	three medium two merits attention
Parking Enforcement	Nov '13	Substantial	three 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 It is proposed to defer the planned Procurement audit until 2014-15 in the light of the Procurement Challenge currently being undertaken by the East of England Local Government Association. The 12 days planned for this audit will be reallocated, 7 days to a post implementation review of the new BACS software and associated changes (brought forward from the reserve list after consultation with the Head of Finance, Performance & Asset Management), with the remaining 5 days being returned to the contingency budget.

#### Performance Management

#### Reporting of Audit Plan Delivery Progress

- 2.6 At the September meeting of this Committee, Members requested clarification around the background to the performance indicators used within progress update reports to show how SIAS is progressing in delivering the Audit Plan.

- 2.7 In 2012 the Audit Committees of a number of SIAS clients requested that our progress reports include a comparison with a predetermined expected level of progress or 'profiled targets'. To date our approach to setting these profiled targets has been based largely around knowledge of the client's plan and the relevant quarter within the year when it is expected the audit will commence and be completed.
- 2.8 Increasing the accuracy of profiling, and therefore the performance data for client committees is something that SIAS is looking to develop further with clients as part of the 2014-15 audit planning process. This will include seeking agreement from management on both, a start date, and specific details of the assurances required for each audit prior to the start of the audit year. This process will also aid in ensuring that the impact on the relevant service and its resources is minimised.
- 2.9 We would highlight the fact that, whilst we are attempting to maximise the accuracy of our delivery profiling, it is an area which can be adversely affected by a number of factors including: competing pressures for management; unexpected staff absences; and client project slippage all of which necessitate a flexible approach by both parties.
- 2.10 The first profiled target (as shown in the Table at 2.13) is '**Planned Days** – percentage of actual billable days against planned chargeable days completed' measuring the number of audit days delivered'. Previously we have given a figure based on our judgement. The options available for this profiling approach are set out in the following table, and it would be helpful to understand the Committee's views on the various options:

Option	Comments	Current profile target according to this method
Profile based on 'straight line' method with the profile increased by the same amount each month	Straightforward approach Does not reflect the reality of the profile of work where the plan is largely delivered in the second half of the year	58%
Profile based on 'judgement' – our best estimate as to a reasonable expectation of progress given our work plan	More complex approach and not easy to substantiate	45%
Profile based on historic progress -	Straightforward approach and reflects	41%

compare current year activity with previous year activity	typical pattern of delivery at the Council	
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- 2.11 The second profiled target (refer to table 2.13) is '**Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects'. To help the Committee in assessing the current situation in terms of progress against the projects in the audit plan we have provided an overall progress update in the table below. We have also indicated our confidence level about the work being completed on time based on our knowledge of our resource availability and other factors, as explained in the boxes below. For those audits where we have yet to agree a start date with management we have given further narrative to clarify the current status of the reviews. Again, we are interested to learn whether this presentation aids the Committee in assessing progress against the projects in the plan.

<b>Completed - Draft or Final report has been issued (11)</b>	
Confidence level in completion of this work – Full	
Council Tax Amendments	Community Partnerships
Area Committee Grants	Green Spaces Strategy
Assets of Community Value	Housing Allocations & Nominations
Increasing Financial Hardship	Partnerships
Safe Staffing	Open Data
Parking Enforcement	

<b>Fieldwork currently being carried out or in Quality Review (5)</b>	
Confidence level in completion of this work – Full	
Local Development Plan Framework	Document Retention
Equalities	Parking Strategy
Anti-Fraud	

<b>Scope and Start date agreed with Management - preliminary work has begun (16)</b>	
Confidence level in completion of this work – Good – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries; all pieces are considered by SIAS to be relatively straightforward	
Asset Management	Creditors
Debtors	Main Accounting
Payroll	Treasury
Benefits & Rent Allowances	Council Tax
NDR	Herts Waste Partnership
Managing Money	Disaster Recovery
Cash Receipting System	Home Improvement Grants
Letchworth Contract	Email encryption

<b>Formal start dates not yet agreed (4)</b>	
Confidence level in completion of this work – Moderate – resources have been allocated by SIAS but dates have not yet been planned in diaries; generally these audits are more complex and will need good engagement with management to ensure delivery	
<b>Audit</b>	<b>Status Update</b>
Managing Change	Scope to be agreed
Subsidised Services	Scope to be agreed
Contract Management	Scope to be agreed
BACS	Scope to be agreed

<b>Deferred (1)</b>	
Procurement	

<b>Summary – 8<sup>th</sup> November 2013</b>		
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (37)</b>
Completed	11	30%
Currently in Progress	5	13%
Start Date Agreed	16	43%
Yet to be planned	4	11%
Deferred	1	3%

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

2.13 As at 8 November, actual performance for North Herts against the targets that can be monitored in year was as shown in the table below.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 8 November 2013</b>	<b>Actual to 8 November 2013</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	58% based on 'straight line rate' of 7/12ths	48%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed	95%	Please see table under 2.11	

projects			
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

2.14 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.



**APPENDIX A      PROGRESS AGAINST THE 2013-14 AUDIT PLAN AS AT 8 NOVEMBER 2013**

**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				
<b>Key Financial Systems</b>								
Asset Management					12	Yes	0	In planning
Benefits & Rent Allowances					14	Yes	0	In planning
Council Tax					12	Yes	0	In planning
Creditors					12	PwC	1	In planning
Debtors					12	PwC	1	In planning
Main Accounting					12	PwC	1	In planning
NDR					12	Yes	0	In planning
Payroll					12	PwC	1	In planning
Treasury					8	Yes	0	In planning
<b>Operational Audits</b>								
Area Committee Grants	Substantial	0	1	2	15	Yes	15	Final report issued
Assets of Community Value	Moderate	1	0	1	10	Yes	10	Final report issued
Community Partnerships					12	Yes	12	Draft report issued
Consultation for Local Development Plan Framework					10	Yes	7.5	In quality review
Council Tax - Amendments	Full	0	0	0	5	Yes	5	Final report issued
Document Retention					12	Yes	11	In quality review
Equalities					10	Yes	9	In quality review
Green Spaces Strategy	Substantial	0	1	0	20	Yes	20	Final report issued
Home Improvement Grants (Disabled Facilities)					6	Yes	0	In planning

**APPENDIX A      PROGRESS AGAINST THE 2013-14 AUDIT PLAN AS AT 8 NOVEMBER 2013**

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	5	Draft report issued
Increasing Financial Hardship					12	Yes	11	Draft report issued
Managing Change					12	Yes	1	In planning
Parking Strategy					6	Yes	3	In fieldwork
Partnerships					8	Yes	7.5	Draft report issued
Safe Staffing	Substantial	0	3	2	10	Yes	10	Final report issued
Subsidised Services					10	Yes	0	In planning
<b>Procurement</b>								
Contract Management					12	Yes	1	In planning
Letchworth Contract					10	Yes	0.5	In planning
Procurement					0	No	0	Audit deferred to 14/15
<b>Counter Fraud</b>								
Anti-fraud coverage from baseline assessment					10	Yes	3	In fieldwork
<b>Joint Reviews</b>								
Managing Money					2	No	0	ToR agreed, fieldwork planned for Q4
Herts Waste Partnership					2	Yes	0	ToR agreed, fieldwork planned for Q3
<b>IT Audits</b>								
BACS (Post Implementation Review)					7	Yes	0	In planning
Cash Receipting System (Post					10	Yes	3	In planning

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Implementation Review)								
Email Encryption					10	PwC	2	In planning
Open Data	Substantial	0	2	5	10	Yes	10	Final report issued
Disaster Recovery					10	Yes	1	In planning
<b>Contingency</b>								
Postal Votes					1	Yes	1	Completed
Review of FAR Committee					2	Yes	2	Completed
Payroll – Certificate of Assurance					0.5	Yes	0.5	Completed
Parking Enforcement	Substantial	0	0	3	12	Yes	11	Final report issued
VFM Reviews					2	Yes	1.5	In fieldwork
To be applied as required					7.5	N/A	0	To be allocated
<b>Follow Up Audits</b>								
Follow up of high priority audit recommendations					7	N/A	2	On-going
<b>Strategic Support</b>								
Strategic Support					50	N/A	35	On-going
<b>Completion of 2012-13 audits</b>								
Allowance for any work remaining from the 2012-13 plan					5	N/A	5	Complete
<b>NHDC TOTAL</b>					<b>440</b>		<b>209.5</b>	

## 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 (2013 only)	SIAS Comment at 8 November 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	<p><u>Feb 13:</u> Procurement Rules will be taken to FAR Committee in the new civic year. Assessment of rules is now also seeking to align with intentions of Public Services (Social Value) Act as well as Localism Act.</p> <p><u>May 13:</u> Update going to June FAR before approval by Cabinet and Full Council.</p> <p><u>Aug 13:</u> Approved by FAR on 13 June</p>	Updated Contract Procurement Rules now published.	<b>Complete – remove from list</b>

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						<p>and Cabinet on 30 July. Due to go to Full Council on 5 September for final sign-off.</p> <p><u>Nov 13:</u> Approved by Full Council on 5 September 2013. CPR's rolled out and on the Intranet. Procurement training being provided.</p>		
2	Consultants (2010-11)	The Performance & Risk Manager should be consulted prior to any appointment to ensure that adequate	Commissioning officers will be reminded of best practice. Intranet procurement pages will be updated as	Procurement Officer & Contracts Solicitor	Aug 2011	<u>Feb 13:</u> Procurement Rules will be taken to FAR Committee in the new civic year. Assessment of	Updated Contract Procurement Rules now published.	<b>Complete – remove from list</b>

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		<p>insurances are in place and in order to comply with the Council's 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>necessary to reinforce this requirement.</p> <p>Contract documents should make explicit the requirement to maintain professional indemnity insurance.</p>			<p>Rules is now also seeking to align with intentions of Public Services (Social Value) Act as well as Localism Act.</p> <p><u>May 13:</u> Update going to June FAR before approval by Cabinet and Full Council.</p> <p><u>Aug 13:</u> Approved by FAR on 13 June and Cabinet on 30 July. Due to go to Full Council on 5 September for final sign-off.</p>		

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						<p><u>Nov 13:</u> Approved by Full Council on 5 September 2013. CPR's rolled out and on the Intranet. Procurement training being provided.</p>		
3	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	HR Services Manager	Immediate and completed	Payroll has not exceeded the £700k limit since the audit recommendation was made.	<p>No BACS payroll payments over £700k since the audit. Therefore cannot test this control.</p> <p>As the overall Establishment reduces, the £700k limit is only likely to be breached in the</p>	<b>Progress monitored via annual Payroll audit – remove from list</b>

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2013 only)	SIAS Comment at 8 November 2013	Status of Progress
			excess of HR Services Managers limit.				event of significant redundancy costs being incurred. Application of this control is reviewed in the annual Payroll audit and any issues reported therein. Therefore FAR are asked to approve removal of this recommendation from the quarterly reporting cycle.	
4	Assets of Community Value (16/10/13)	The four properties currently on the register of Assets of Community Value should be recorded on the land charges register and further	Agreed A new layer has now been created on the local land charges system. This layer will allow AoCV	Management Support Unit Manager	Oct 2013	<u>Nov 13:</u> A new layer has been created on the local land charges system. This layer will allow AoCV	Six of the seven assets listed since the scheme commenced in 2012 have now been registered on the local land	<b>Complete – remove from list</b>



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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2013 only)	SIAS Comment at 8 November 2013	Status of Progress
		successful applications entered promptly.	<p>assets to be recorded on the mapping system, to include the extent of the “footprint” of the asset.</p> <p>All existing, and new, AoCV assets will now be recorded on the land charges system as part of the overall AoCV process.</p>			<p>assets to be recorded on the mapping system, to include the extent of the “footprint” of the asset.</p> <p>All existing, and new AoCV assets will now be recorded on the land charges system as part of the overall AoCV process.</p>	charges register. A clearer plan of the location is awaited for the final asset before this is registered. This is in progress.	