



North Herts District Council  
Audit Committee Progress Report  
23 June 2014

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 6 June 2014;
- Approve the amendments to the Audit Plan as at 6 June 2014; 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 2014-15 as at 6 June 2014.
  - b) Findings for the period 22 February 2014 to 6 June 2014 for audits assessed as 'Limited', or 'No' assurance (there were none in the period).
  - c) Proposed amendments to the approved 2014-15 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 6 June 2014.

## Background

- 1.2 The 2014-15 Annual Audit Plan was approved by the Finance, Audit & Risk Committee on 19 March 2014.
- 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 March 2014. This is the first report giving feedback on the delivery of the 2014-15 Internal Audit Plan.
- 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 6 June 2014, 15% 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 and assignments have been issued since 21 February (cut-off date for the SIAS Update Report for 19 March 2014 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Document Retention	March 2014	Moderate	Two high, one medium, one merits attention
Council Tax	March 2014	Substantial	None
NDR	March 2014	Substantial	One medium, one merits attention
BACS	April 2014	Substantial	One high, one medium
Equalities	April 2014	Substantial	One medium, two merits attention
Disaster Recovery	April 2014	Moderate	One high, one medium
Asset Management	April 2014	Substantial	Five medium, two merits attention
Benefits	April 2014	Substantial	One medium
Managing Change	April 2014	N/A	Consultancy
Anti-Fraud	May 2014	Substantial	Two merits attention
Main Accounting	Feb 2014	Substantial	Five merits attention
Subsidised Services	June 2014	Substantial	Two medium
Managing Money	April 2014	N/A	Consultancy
Email Encryption	March 2014	Moderate	One high, Two medium, Two merits attention

The complete account of the 2013-14 Plan is presented in the Annual Report, elsewhere on this meeting's agenda.

No 2014-15 reports had been finalised at the cut-off date for this update report 2013-14 (6 June 2014). The status of 2014-15 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.

Proposed Audit Plan Amendments

- 2.5 Following discussions with management we have scheduled a brief audit of Debt Mgt – Rental Income and we were also asked to carry out an investigation into the authorisation of an Area Committee grant payment; this work has also been resourced from the Authority's audit contingency.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.6 At the meeting of FAR on 5 December 2013 it was agreed that the method for reporting on audit plan delivery progress be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan. This approach is now reflected in the figures at 2.9 (below).
- 2.7 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. In addition, for 2014/15 we have agreed formal start dates with management and have allocated resources accordingly; details can be found in Appendix C. This is designed to help facilitate smoother level of audit plan delivery throughout the year.

<b>Completed - Draft or Final report has been issued (1)</b>	
Confidence level in completion of this work – Full	
Area Committee – Grant Matter	

<b>Fieldwork currently being carried out or in Quality Review (3)</b>	
Confidence level in completion of this work – Full	
NDR Avoidance	Health & Safety Matters (Contractors Compliance)
Risk Management	

<b>Scope and Start date agreed with Management - preliminary work has begun (23)</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	
New Banking Contract	Procurement Review
Business Continuity	New Vision for North Herts
Localism Planning Reforms	Data Protection / Freedom of Information Requests
Disabled Facilities	Payroll Contract Management
Customer Service Centre	IT Change Control
Electronic Planning Register	Homelessness
Vacancy Management	Main Accounting
Debtors	Creditors
Treasury Management	Payroll
Council Tax	NDR
Benefits & Rent Allowances	Asset Management
Debt Mgt – Rental Income	

<b>Formal start dates not yet agreed (1)</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>
Benchmarking of Risk Registers & AGS	Joint Review - Start

<b>Deferred (0)</b>	
None	

<b>Summary – 6 June 2014</b>		
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (28)</b>
Draft / Final	1	4%
Currently in Progress	3	11%
Start Date Agreed	23	81%
Yet to be planned	1	4%
Deferred	0	0%

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

2.9 As at 6 June 2014, 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 6 June 2014</b>	<b>Actual to 6 June 2014</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	16%	15%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	7%	4%
<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%

2.10 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2014-15 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 2014-15 AUDIT PLAN AS AT 6 June 2014**

**2014-15 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>								
Main Accounting System					12	PwC		Start date agreed
Debtors					12	PwC		Start date agreed
Creditors					12	PwC		Start date agreed
Treasury Management					8	Yes		Start date agreed
Payroll					12	PwC		Start date agreed
Council Tax					12	Yes		Start date agreed
NDR					10	Yes		Start date agreed
Housing & Council Tax Benefits					14	Yes		Start date agreed
Asset Management					12	Yes		Start date agreed
Debt Management – Rental Income					3	Yes		Start date agreed
<b>Operational Audits</b>								
Data Protection & FOI					15	Yes		Start date agreed
Localism (Planning Reforms)					15	Yes		Start date agreed
Overarching Risk Mgt					15	Yes	14	Report Being Drafted
CSC					15	Yes		Start date agreed
Health & Safety Matters (Contractors Statutory Requirements)					15	Yes	4.5	In fieldwork
Business Continuity					15	Yes		Start date agreed
Homelessness					12	Yes		Start date agreed
The Way We Do Things Project Streams					15	Yes		Start date agreed



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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Disabled Facilities - Use of Single Agent					15	Yes		Start date agreed
New Banking Contract					15	Yes	1.5	In planning
Vacancy Mgt					15	Yes		Start date agreed
Area Committee Grant Matter					4	Yes	4	Draft Report Issued
<b>Procurement</b>								
Procurement					20	Yes	3.5	In planning
Payroll Contract Management					12	Yes		Start date agreed
<b>Joint Reviews</b>								
Benchmarking of Risk Registers and AGS					2	No		
NDR Avoidance					10	Yes	7	In fieldwork
<b>IT Audits</b>								
IT Change Control					15	Yes		Start date agreed
Electronic Planning Register					12	Yes		Start date agreed
<b>Election Support</b>								
Election Support					2	Yes	2	Completed
<b>Strategic Support</b>								
Head of Internal Audit Opinion 2013/14					2		2	Completed
Audit Committee					8		2	On-going
Client liaison meetings					9		1.5	On-going
External Audit Liaison					1			On-going

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Progress Monitoring					9		2.5	On-going
SIAS Development					5		5	Completed
2015/16 Audit Planning					10			Start date agreed
<b>Contingency</b>								
Contingency					1			
<b>13-14 Projects Requiring Completion</b>								
Asset Management	Substantial	0	5	2	1		1	Final report issued
Housing & Council Tax Benefits	Substantial	0	1	0	1		1	Final report issued
Payroll					0.5	PwC		Draft report issued
Managing Change	Not Assessed	0	0	0	2		2	Final report issued
Anti-Fraud Matters	Substantial	0	0	2	1		1	Final report issued
Subsidised Services	Substantial	0	2	0	3		2	Final report issued
Contract Management					1		0.5	Draft report issued
Letchworth Contract					1		1	Draft report issued
Disaster Recovery	Moderate	1	1	0	1		1	Final report issued
<b>Total - North Herts D.C.</b>					<b>400</b>		<b>59</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	SIAS Comment at 6 June 2014	Status of Progress
1.	Document Retention (March 2014)	We recommend that there is a full review of the Royston store to ensure that there are appropriate current owners for all the boxes and to confirm the content of those boxes that do not have a destruction date or that say 'Do Not Destroy' to ensure that the documents are being retained appropriately in compliance with the corporate Retention Schedule and with the requirements of the DPA, FOI and EIR legislation in mind.	I have organised (23 <sup>rd</sup> January 2014) a full review of the Royston facility with my Business Manager and Information Officer.	Vic Godfrey ICT Manager	January 2014	ICT Manager Update - June 2014  A full review was carried to identify data that was being held beyond its retention period and an action plan was drawn up for the Information Officer / I.T Business Manager to contact the relevant officers and ensure this material was destroyed. This work has now been completed and a further	Implemented	<b>Completed – to be removed</b>

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 6 June 2014	Status of Progress
		Where documents are being retained inappropriately, arrangements need to be made for them to be destroyed				review of the Royston Store has been scheduled for October 2014. A log book now records who is accessing the confidential storage facility.		
2.	Document Retention (March 2014)	We recommend that a formal plan is defined and agreed with clear ownership, specified actions and appropriate deadlines so that, immediately after the implementation of the Retention and Destruction Module, all personal data in the	Produce a Management Plan showing clear ownership, specified actions and appropriate deadlines for removing the out of date data stored within the 'Information at Work' system.	Vic Godfrey ICT Manager	February 2014	ICT Manager Update - June 2014  Due to an initial lack of engagement by the supplier there were delays in the upgrading of the Information at Work Systems. The upgrade is a	Outstanding	<b>Carry Forward to September FAR</b>

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		<p>'Information at Work' system that are no longer required are identified and deleted together with information that exceeds the timescales in the corporate Retention Schedule.</p>				<p>key requirement for operation of the Data Deletion Module. Escalation of this matter by the NHDC Head of Service resulted in a project meeting taking place in April 14 with work on the upgrade scheduled to begin in May. Further delays due to cost negotiations and specialist staff resource availability from the supplier means a 'test' upgrade is now scheduled for late June with a</p>		

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 6 June 2014	Status of Progress
						'live' upgrade due in August; both of which will include extensive testing by NHDC staff.		
3.	Email Encryption (March 2014)	The email encryption software, Egress, should be installed on all active versions of Microsoft Outlook thereby restricting the ability to bypass encryption procedures. Installing the Egress software on the Microsoft Exchange server rather than the individual email clients will mitigate	North Herts have been working towards replacing Outlook 2003 with Outlook 2010 and as explained during the audit. It was North Herts intention to only have one version of Outlook 2010 running. North Herts have noted your recommendation and this has been fed into the business	ICT Manager	May 2014	ICT Manager Update - June 2014  North Herts went Live with Outlook 2010 on the 3rd March 2014 which has full Egress facilities installed.	Implemented	<b>Completed – to be removed</b>

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 6 June 2014	Status of Progress
		<p>the risk of un-encryption on individual versions. If encryption at the server level is not possible, management should ensure only one version is used.</p> <p>There should be a regular monitoring process to ensure that all Microsoft Outlook versions have the most recent version of Egress.</p> <p>Note: Management are in a project to replace Microsoft Outlook 2003 with Microsoft Outlook 2010 and expect to</p>	<p>requirements of Outlook 2010. North Herts will also carry out regular reviews to ensure the version of Egress is the latest release. This will be documented in line with Finding 5 below by the I.T Business Manager.</p> <p>North Herts are still working to have Outlook 2010 live and running by the 8th April 2014 in which Outlook 2003 will be decommissioned.</p>					

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 6 June 2014	Status of Progress
		complete the project by March 2014.						
4.	IT Disaster Recovery (April 2014)	We recommend there is a full comparison of the NHDC Business Continuity Plan alongside the current IT Disaster Recovery capabilities to ensure the same expectations/realities are reflected in both so that the true business service risks are clearly understood by all parties in the event of an incident occurring.	Victor Godfrey to work with the Emergency Planning Officer and Corporate Risk Manager to ensure a full comparison is completed between the individual Service Plans and the HP Business Continuity contract to review current BCP's and ensure all parties are aware of what realistically can be achieved.	Victor Godfrey ICT Manager Derek Wootton Emergency Planning Officer Fiona Timms Corporate Risk Manager	June 2014	ICT Manager Update - June 2014  This work is included in the ICT Manager's work plan for June and those Officers required to participate in the exercise have been notified of the work to be carried out.	In progress	<b>Carry Forward to September FAR</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	SIAS Comment at 6 June 2014	Status of Progress
5.	BACS Processing (March 2014)	<p>Investigate the possibility of output files from source systems being produced as 'read only'.</p> <p>As an interim measure invoke spot checks of payment amounts above an agreed threshold.</p>	An IT processing request was sent to IT on the 11 <sup>th</sup> March requesting that files be produced as read only.	Rachel Cooper Payments Manager	Immediate	This issue has been raised with IT and is currently still an open call. Initial responses indicate that the files in question cannot be made 'read only'. An alternative option involving restriction of viewing rights to the folder the files are housed within is being investigated.	Ongoing	<b>Partially Completed</b>

**APPENDIX C AUDIT PLAN ITEMS (APRIL 2014 TO MARCH 2015) – START DATES AGREED WITH MANAGEMENT**

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Risk Mgt	NDR Avoidance		Business Continuity	New Vision for North Herts	Procurement Review	Homelessness	Main Financial Systems 9 Reviews	Payroll Contract Management	Disabled Facilities	Electronic Planning Register	
Health & Safety Contractor Compliance			New Banking Contract	Data Protection	Vacancy Management		Localism Planning Reforms	Customer Service Centre	IT Change Control		
				Debt Management Rental Income							