SIAS

Shared Internal Audit Service

Hertfordshire in Partnership

North Herts District Council
Audit Committee Progress Report
18 September 2014

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report for the period to 22 August 2014;
- Approve the amendments to the Audit Plan as at 22 August 2014; 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 2014-15 as at 22 August 2014.
   b) Findings for the period 7 June 2014 to 22 August 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 22 August 2014.

<u>Background</u>

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 23 June 2014.

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 22 August 2014, 25% of the 2014-15 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 6 June (cut-off date for the SIAS Update Report for 23 June 2014
        FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Payroll	June 2014	Substantial	Two medium, two merits attention
Payroll (Serco BACS controls)	July 2014	Moderate	One high, three medium, two merits attention
Contract Management	July 2014	Moderate	Ten medium, one merits attention
Letchworth Contract	June 2014	Substantial	One medium, one merits attention

All 2013-14 audits have now been finalised.

The following 2014-15 reports have been finalised since the last FAR
Committee. The current status of all 2014-15 audits is noted in
Appendix A.

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Risk Management	July 2014	Full	One merits attention
New banking Contract	July 2014	Substantial	Two medium, three merits attention
Area Committee Grant Matter	June 2014	Not Assessed	Two non-prioritised recommendations were made
NDR Avoidance	August 2014	Moderate	One high, two merits attention
Debt Management – Rental income	August 2014	Substantial	One medium

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.

<u>Proposed Audit Plan Amendments</u>

2.5   No changes to the 2014-15 Audit Plan are brought to this Committee.

<u>Performance Management</u>

<u>Reporting of Audit Plan Delivery Progress</u>

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.

Completed - Draft or Final report has been issued (6)	
Confidence level in completion of this work – Full	
New Banking Contract	Risk Management
Area Committee – Grant Matter	Debt Recovery – Rental Income
NDR Avoidance	Health & Safety Matters (Contractors' Statutory Requirements)

Fieldwork currently being carried out or in Quality Review (3)	
Confidence level in completion of this work – Full	
Business Continuity	Procurement Review
New Vision for North Herts	

Scope and Start date agreed with Management - preliminary work has begun (18)	
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	
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	Non-Domestic Rates
Benefits & Rent Allowances	Asset Management

Formal start dates not yet agreed (1)	
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	
Audit	**Status Update**
Benchmarking of Risk Registers & AGS	Joint Review - Start

Deferred (0)	
None	

Summary – 22 August 2014		
Status	**No of Audits at this Stage**	**% of Total Audits (28)**
Draft / Final	6	21%
Currently in Progress	3	11%
Start Date Agreed	18	64%
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 22 August 2014, 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 22 August 2014**	**Actual to 22 August 2014**
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	28%	25%

2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	18%	21%
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
4. Number of High Priority Audit Recommendations agreed	95%	100%	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.

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				
Key Financial Systems								
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	Substantial	0	1	0	3	Yes	3	Final Report Issued
Operational Audits								
Data Protection & FOI					15	Yes	0.5	Start date agreed
Localism (Planning Reforms)					15	Yes		Start date agreed
Overarching Risk Mgt	Full	0	0	1	15	Yes	15	Final Report Issued
CSC					15	Yes		Start date agreed
Health & Safety Matters (Contractors' Statutory Requirements)					15	Yes	13	Draft Report Issued
Business Continuity					15	Yes	5.5	In fieldwork
Homelessness					12	Yes		Start date agreed
The Way We Do Things Project Streams					15	Yes	1.5	In planning

APPENDIX A   PROGRESS AGAINST THE 2014-15 AUDIT PLAN AS AT 22 August 2014

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	Substantial	0	2	3	15	Yes	15	Final Report Issued
Vacancy Mgt					15	Yes		Start date agreed
Area Committee Grant Matter	Not Assessed	0	0	0	4	Yes	4	Final Report Issued
Procurement								
Procurement					20	Yes	4	In planning
Payroll Contract Management					12	Yes		Start date agreed
Joint Reviews								
Benchmarking of Risk Registers and AGS					2	No		
NDR Avoidance	Moderate	1	0	2	10	Yes	10	Final Report Issued
IT Audits								
IT Change Control					15	Yes		Start date agreed
Electronic Planning Register					12	Yes		Start date agreed
Election Support								
Election Support					2	Yes	2	Completed
Strategic Support								
Head of Internal Audit Opinion 2013/14					2		2	Completed
Audit Committee					8		4	On-going
Client liaison meetings					9		3	On-going
External Audit Liaison					1			On-going

FAR COMMITTEE (18.9.14)

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Progress Monitoring					9		4	On-going
SIAS Development					5		5	Completed
2015/16 Audit Planning					10			Start date agreed
Contingency								
Contingency					1			
13-14 Projects Requiring Completion								
Asset Management	Substantial	0	5	2	0.5		0.5	Final report issued
Housing & Council Tax Benefits	Substantial	0	1	0	0.5		0.5	Final report issued
Payroll	Substantial	0	2	2				Final report issued
Payroll (Serco BACS controls)	Moderate	1	3	2	0.5		0.5	Final 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	2.5		2.5	Final report issued
Contract Management	Moderate	0	10	1	0.5		0.5	Final report issued
Letchworth Contract	Substantial	0	1	1	1		1	Final report issued
Disaster Recovery	Moderate	1	1	0	0.5		0.5	Final report issued
Total - North Herts D.C.					**400**		**100.5**	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
1.	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 'Information at Work' system that are no longer required are identified and deleted together with information that exceeds the timescales in the corporate Retention	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 – August 2014

The upgrades software is in Test at the moment and users across the authority are actively carrying out testing of their filing systems to ensure the changes are working correctly.

The planned upgrade into LIVE has been booked to start on Friday 19th September which includes the Data Destruction Module. Testing of this module has been successful to date within the Test Environment and staff are continually testing. The Data Destruction | In progress | Carry Forward to December FAR |

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
		Schedule.				Module is all part of the project sign off plan and my staff are currently working on reports to identify the records and the amount of records that will be deleted so we have some evidence to show.		
2.	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	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	Victor Godfrey ICT Manager Derek Wootton Emergency Planning Officer Fiona Timms Corporate Risk Manager	June 2014	ICT Manager Update - August 2014

I have had several meetings with the Emergency Planning Officer and Risk Manager and reviewed what the current I.T DR Contract covers. The Emergency Planning Officer is currently conducting an Annual Review with ALL | In progress | Carry Forward to December FAR |

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
		service risks are clearly understood by all parties in the event of an incident occurring.	contract to review current BCP's and ensure all parties are aware of what realistically can be achieved.			Service Areas to ensure they are fully away of the current I.T DR Contract and the timetable for recovery at the same time ensuring their BCP are current.		
3.	BACS Processing (March 2014)	Investigate the possibility of output files from source systems being produced as 'read only'. As an interim measure invoke spot checks of payment amounts above an agreed threshold.	An IT processing request was sent to IT on the 11th March requesting that files be produced as read only.	Rachel Cooper Payments Manager	Immediate	Completed on 31st July. IT have now set up a sweep to pick up the output file from the source system and pull it directly into Paybase. The approver no longer has to browse and pick up a file from the g drive, so the file is unable to be accessed outside the source system.	Implemented	Completed – to be removed

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
4.	Serco Payroll BACS Controls	1) Since only one parallel run was performed, we would recommend that a month-on-month variance analysis should take place between the March 2014 payment data produced by the previous Trent system and the April 2014 data produced by the SAP system. Variances should be investigated as appropriate.	Detailed checks were carried out between March and April pay runs (see separate document for full details). See proposal in Finding 3 Recommendation 1 above re on-going checks. Reconciliation will also take place in Accounts using the GL Ledger interface from SAP.	HR Service Manager	Immediate and completed	None	Implemented	Completed – to be removed
		2) The forms and policies drafted by	These forms and the processes	Corporate HR Manager	Immediate and completed	None	Implemented	Completed – to be removed

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
		the Serco Service Delivery Manager should be subject to agreement by Serco and the Council. A clear process for submission of the forms should be agreed and documented by the Council.	are all agreed between both parties					
		The Council should request an annual ISAE 3402 assurance report on controls at a third party service organisation from Serco to obtain assurance that the controls over the BACS payroll system are	Requested via email to Phil Thorne, Serco on 12/05/2014	Corporate HR Manager	Immediate and completed	None	Implemented	Completed – to be removed

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
		operational and effective. This should include assurance over the changes made to the payroll system, as well as the segregation of duties maintained at Serco.						
5.	Non-Domestic Rates Avoidance	A formal process should be created regarding how the authority should deal with suspected NDR avoidance. This should include a requirement to document cases in a manner that would allow all officers/management to view the	Agreed	Revenues Manager	30 October 2014	Not applicable - Implementation date not yet reached.	Outstanding	Carry Forward to December FAR.

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment at 22 August 2014	Status of Progress
		details, in order to assist future cases. This should also include a procedure detailing evidence required in order to satisfy legislative requirements to enable the authority to grant appropriate relief. Once established this should be cascaded to all relevant staff.						

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							