



North Herts District Council
Audit Committee Progress Report
11 December 2014

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 21 November 2014;
- Approve the amendments to the Audit Plan as at 21 November 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 21 November 2014.
- b) Findings for the period 23 August to 21 November 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 21 November 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 18 September 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

Delivery of Audit Plan and Key Audit Findings

2.1 As at 21 November 2014, 46% 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 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
Health & Safety Matters (Contractors' Statutory Requirements)	October 2014	Moderate	2 Medium, 2 Merits Attention
Business Continuity	Nov 2014	Substantial	2 Medium, 2 Merits Attention
Main Accounting	Nov 2014	Substantial	7 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 At the request of Senior Management we have deferred the audit of Localism Planning Reforms (15 days) due to a new consultation in this area and the current status of local applications for neighbourhood plan areas. Five of the days released will be utilised for extended coverage of Payroll activities (including Election Payroll matters), as part of the payroll audit work to be carried out by PwC.

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.

Completed - Draft or Final report has been issued (8)	
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)
Business Continuity	Main Accounting System

Fieldwork currently being carried out or in Quality Review (7)	
Confidence level in completion of this work – Full	
New Vision for North Herts	Procurement Review
Vacancy Management	Treasury Management
Data Protection / Freedom of Information Requests	Benchmarking of Risk Registers & AGS
Homelessness	

Scope and Start date agreed with Management - preliminary work has begun (12)	
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	
Disabled Facilities	Payroll Contract Management
Customer Service Centre	IT Change Control
Electronic Planning Register	Payroll
Non-Domestic Rates	Benefits & Rent Allowances
Debtors	Creditors
Council Tax	Asset Management

Formal start dates not yet agreed (0)	
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
None	

Deferred (1)	
Localism Planning Reforms	

Summary – 21 November 2014		
Status	No of Audits at this Stage	% of Total Audits (27)
Draft / Final	8	30%
Currently in Progress	7	26%
Start Date Agreed	12	44%
Yet to be planned	0	0%
Deferred	1	

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.
- 2.9 As at 21 November 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 21 November 2014	Actual to 21 November 2014
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	49%	46%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	37%	30%
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.

APPENDIX A PROGRESS AGAINST THE 2014-15 AUDIT PLAN AS AT 21 NOVEMBER 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				
Key Financial Systems								
Main Accounting System	Substantial			7	12	PwC	12	Final Report Issued
Debtors					12	PwC	1	ToR Issued
Creditors					12	PwC	1	ToR Issued
Treasury Management					8	Yes	3	In Fieldwork
Payroll					20	PwC	1	ToR Issued
Council Tax					12	Yes		Start date agreed
NDR					10	Yes	0.5	Start date agreed
Housing & Council Tax Benefits					14	Yes		Start date agreed
Asset Management					12	Yes		Start date agreed
Debt Recovery – Rental Income	Substantial	0	1	0	3	Yes	3	Final Report Issued
Operational Audits								
Data Protection & FOI					15	Yes	10	In Fieldwork
Localism (Planning Reforms)					0	No	0	Audit Deferred
Risk Management	Full	0	0	1	15	Yes	15	Final Report Issued
CSC					15	Yes		Start date agreed
Health & Safety Matters (Contractors' Statutory Requirements)	Moderate	0	2	2	15	Yes	15	Final Report Issued
Business Continuity	Substantial	0	2	2	15	Yes	15	Final Report Issued
Homelessness					12	Yes	3	In Fieldwork
New Vision for North Herts					15	Yes	8	In Fieldwork

APPENDIX A PROGRESS AGAINST THE 2014-15 AUDIT PLAN AS AT 21 NOVEMBER 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	9	In Fieldwork
Area Committee Grant Matter	Not Assessed	0	0	0	4	Yes	4	Final Report Issued
Procurement								
Procurement					20	Yes	13	In Fieldwork
Payroll Contract Management					12	Yes	1	In Planning
Joint Reviews								
Benchmarking of Risk Registers and AGS					2	No	0.5	In Fieldwork
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		6	On-going
Client liaison meetings					9		4.5	On-going
External Audit Liaison					1		0.5	On-going
Progress Monitoring					8.5		6.5	On-going

APPENDIX A PROGRESS AGAINST THE 2014-15 AUDIT PLAN AS AT 21 NOVEMBER 2014

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
SIAS Development					5		5	Completed
2015/16 Audit Planning					10		3	In fieldwork
Contingency								
Contingency					8			
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	3		3	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		179	

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 21 November 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 Schedule.	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	<p>ICT Manager Update – November 2014</p> <p>The RAD Module has now been tested on the live system by Northgate however the requirements of the DWP Auditor's means we are unable to allow the RAD to be run against 'Information at Work' System in its present state. We are currently working on a technical solution for this issue and in the meantime will use the module to identify relevant high risk documents across all filing systems and remove them as necessary.</p>	In progress	Carry Forward to March FAR

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

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 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 - November 2014 IT have secured funds to build an in-house DR facility which will replicate the current services and in the event of a DR the services will be back up and running within a matter of hours compared to the previous service with HP which was 4 days. The hardware has been procured and a project plan has been created to ensure that the new service is commissioned and live by the 1 st March 2015 which falls in line with the HP contract which expires at the end of March 2015.	In progress	Carry Forward to March FAR
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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 Final Report Issued	NDR Avoidance Final Report Issued		Business Continuity Final Report Issued	New Vision for North Herts In Fieldwork	Procurement Review In Fieldwork	Homelessness In Fieldwork		Payroll Contract Management In Planning	Disabled Facilities Start Date Agreed	Electronic Planning Register Start Date Agreed	
Health & Safety Contractor Compliance Final Report Issued			New Banking Contract Final Report Issued	Data Protection & FOI In Fieldwork	Vacancy Management In Fieldwork			Customer Service Centre Start Date Agreed	IT Change Control Start Date Agreed		
	Area Committee Grant Matter Final Report Issued			Debt Recovery Rental Income Final Report Issued		Benchmarking Risk Registers & AGS In Fieldwork					