



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 |
|----|-----------------------------------|---|---|---|-----------|---|-------------|----------------------------|

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 | | | | | |