



North Herts District Council  
Audit Committee Progress Report  
18 March 2015

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 20 February 2015;
- Approve the amendments to the Audit Plan as at 20 February 2015; 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 20 February 2015.
- b) Findings for the period 22 November 2014 to 20 February 2015 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 20 February 2015.

### 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 11 December 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 20 February 2015, 80% 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.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Treasury Management	Dec 2014	Substantial	None
Creditors	Dec 2014	Substantial	1 Medium, 2 Merits Attention
Car Parking Income	Jan 2015	Not Assessed (see section 2.5)	None
Vacancy Management	Jan 2015	Moderate	1 Medium
King George V Trust	Jan 2015	Not Assessed (see section 2.5)	None
Payroll	Feb 2015	Substantial	2 Medium, 3 Merits Attention
Elections Payroll	Feb 2015	Moderate	2 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.

#### Proposed Audit Plan Amendments

- 2.5 A piece of unplanned consultancy work (4 days) was undertaken at the request of the Strategic Director of Finance, Policy and Governance, to examine the processes for the collection of car parking income following the failure of the Council's contractor. At the request of Chair of the Charities sub-committee, an independent examination of the annual accounts of the King George V Playing Fields charitable Trust was carried out (1 day). The budgets for these pieces of additional work were met from the Authority's contingency allowance.

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 (20)</b>	
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
Homelessness	New Vision for North Herts
Treasury Management	Creditors
Vacancy Management	Payroll
King George V Trust	Car Parking Income
Procurement Review	Customer Service Centre
Data Protection / Freedom of Information Requests	Elections Payroll

<b>Fieldwork currently being carried out or in Quality Review (9)</b>	
Confidence level in completion of this work – Full	
Council Tax	Debtors
Benefits & Rent Allowances	Benchmarking of Risk Registers & AGS
IT Change Control	Electronic Planning Register
Payroll Contract Management	Non-Domestic Rates
Disabled Facilities	

<b>Scope and Start date agreed with Management - preliminary work has begun (1)</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	

<b>Formal start dates not yet agreed (0)</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	

Audit	Status Update
None	

Deferred (1)
Localism Planning Reforms

Summary – 20 February 2015		
Status	No of Audits at this Stage	% of Total Audits (30)
Draft / Final	20	67%
Currently in Progress	9	30%
Start Date Agreed	1	3%
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 20 February 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 20 February 2015	Actual to 20 February 2015
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	88%	80%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	70%	67%
<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%	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 20 FEBRUARY 2015**

**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	Substantial	0	0	7	12	PwC	12	Final Report Issued
Debtors					12	PwC	10	In Fieldwork
Creditors	Substantial	0	1	2	12	PwC	12	Final Report Issued
Treasury Management	Substantial	0	0	0	8	Yes	8	Final Report Issued
Payroll	Substantial	0	2	3	15	PwC	14	Final Report Issued
Elections Payroll	Moderate	0	2	0	5	PwC	5	Final Report Issued
Council Tax					12	Yes	4.5	In Fieldwork
NDR					10	Yes	6	In Fieldwork
Housing & Council Tax Benefits					14	Yes	6	In Fieldwork
Asset Management					12	Yes	0.5	ToR Issued
Debt Recovery – Rental Income	Substantial	0	1	0	3	Yes	3	Final Report Issued
<b>Operational Audits</b>								
Data Protection & FOI					15	Yes	14	Draft Report Issued
Localism (Planning Reforms)					0	No	0	Audit Deferred
Risk Management	Full	0	0	1	15	Yes	15	Final Report Issued
CSC					15	Yes	14	Draft Report Issued
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	11	Draft Report Issued
New Vision for North Herts					15	Yes	14.5	Draft Report Issued



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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	1.5	In Fieldwork
New Banking Contract	Substantial	0	2	3	15	Yes	15	Final Report Issued
Vacancy Mgt	Moderate	0	1	0	15	Yes	15	Final Report Issued
Area Committee Grant Matter	Not Assessed	0	0	0	4	Yes	4	Final Report Issued
King George V Playing Field Trust	Not Assessed	0	0	0	1	Yes	1	Final Report Issued
Car Parking Income	Not Assessed	0	0	0	4	Yes	4	Final Report Issued
<b>Procurement</b>								
Procurement					20	Yes	19	Draft Report Issued
Payroll Contract Management					12	Yes	7.5	In Fieldwork
<b>Joint Reviews</b>								
Benchmarking of Risk Registers and AGS	Not Assessed	0	0	0	2	Yes	2	Final Report Issued
NDR Avoidance	Moderate	1	0	2	10	Yes	10	Final Report Issued
<b>IT Audits</b>								
IT Change Control					15	Yes	4.5	In Fieldwork
Electronic Planning Register					12	Yes	1.5	In Fieldwork
<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		6	On-going
Client liaison meetings					9		8.5	On-going

**APPENDIX A      PROGRESS AGAINST THE 2014-15 AUDIT PLAN AS AT 20 FEBRUARY 2015**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
External Audit Liaison					1		1	On-going
Progress Monitoring					8.5		8	On-going
SIAS Development					5		5	Completed
2015/16 Audit Planning					10		9.5	On-going
<b>Contingency</b>								
Contingency					3			
<b>13-14 Projects Requiring Completion</b>								
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
<b>Total - North Herts D.C.</b>					<b>400</b>		<b>316</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 20 February 2015	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	ICT Manager Update – February 2015  The RAD Solution is now operational within live system and IT have removed 7,500 documents from various filing systems. Further scheduled deletions across multiple filing systems are taking place weekly at the moment.	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 20 February 2015	Status of Progress
2.	IT Disaster Recovery (April 2014)	We recommend there is a full comparison of the NHDC Business Continuity Plan (BCP) alongside the current IT Disaster Recovery (DR) 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 – February 2015  The Emergency Planning Team along with the HCC Emergency Planning Officer are actively meeting service teams to review their BCP. The in-house Disaster Recovery solution is now built and currently undergoing testing before being commissioned as Live later in March. The current HP DR contract runs until the 31st March 2015. BT have installed the DR Broadband Services which gives further DR capabilities to access	In progress	<b>Carry Forward to June 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 20 February 2015	Status of Progress
						<p>services (Home Workers) in the event of the Virgin Media links going down). A full testing plan is in place and there will be live testing conducted out of hours to ensure there is no disruption to any service. This in-house solution will give the Council the capability of bringing systems back up within four hours instead of four days compared with the outsourced solution, which will enable the IT Team to better meet service department expectations following any DR situation.</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 20 February 2015	Status of Progress
3.	NDR Avoidance (August 2014)	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 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.	Agreed	Revenues Manager	30 October 2014	An external consultant has been commissioned to examine systems and processes. The recommendation will be implemented following this review. A revised target date of 31 March 2015 has been set.	In progress	<b>Carry Forward to June FAR</b>

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

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<b>No.</b>	<b>Report Title / Date of Issue</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Implementation Date</b>	<b>History of Management Comments</b>	<b>SIAS Comment at 20 February 2015</b>	<b>Status of Progress</b>
		Once established this should be cascaded to all relevant staff.						

**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 <b>Final Report Issued</b>	NDR Avoidance <b>Final Report Issued</b>		Business Continuity <b>Final Report Issued</b>	New Vision for North Herts <b>Draft Report Issued</b>	Procurement Review <b>Draft Report Issued</b>	Homelessness <b>Draft Report Issued</b>		Payroll Contract Management  <b>In Fieldwork</b>	Disabled Facilities <b>ToR Issued</b>	Electronic Planning Register  <b>In Fieldwork</b>	
Health & Safety Contractor Compliance <b>Final Report Issued</b>			New Banking Contract <b>Final Report Issued</b>	Data Protection & FOI <b>Draft Report Issued</b>	Vacancy Management <b>Final Report issued</b>			Customer Service Centre  <b>Draft Report issued</b>	IT Change Control <b>In Fieldwork</b>		
	Area Committee Grant Matter <b>Final Report Issued</b>			Debt Recovery Rental Income <b>Final Report Issued</b>		Benchmarking Risk Registers & AGS <b>Final report Issued</b>		Car Parking Income <b>Final Report Issued</b>	King George V Trust <b>Final Report issued</b>		