



## North Herts District Council Audit Committee Progress Report 15 June 2015

### Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 22 May 2015;
- Approve the amendments to the Audit Plan as at 22 May 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 2015/16 as at 22 May 2015.
- b) Findings for the period 20 February 2015 to 22 May 2015 for audits assessed as 'Limited', or 'No' assurance (there were none in the period).
- c) Proposed amendments to the approved 2015/16 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 May 2015.

## Background

1.2 The 2015/16 Annual Audit Plan was approved by the Finance, Audit & Risk Committee on 18 March 2015.

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 March 2015. This is the first report giving feedback on the delivery of the 2015/16 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 22 May 2015, 15% of the 2015/16 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 final reports and assignments have been issued since 20 February (cut-off date for the SIAS Update Report for 18 March 2015 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
New Vision for North Herts	March 2015	Not Assessed	None
Procurement	March 2015	Substantial	3 Medium, 3 Merits Attention
Homelessness	March 2015	Substantial	4 Medium, 6 Merits Attention
Customer Service Centre	March 2015	Moderate	3 Medium
Data Protection and FOI	March 2015	Moderate	1 High, 9 Medium
Disabled Facilities	April 2015	Substantial	4 Medium, 6 Merits Attention
IT Change Control	April 2015	Substantial	4 Merits Attention
Electronic Planning Register	April 2015	Not Assessed	None
Debtors	April 2015	Substantial	2 Medium, 3 Merits Attention
Council Tax	April 2015	Substantial	1 Medium, 2 Merits Attention
NDR	April 2015	Substantial	2 Medium
Benefits & Rent Allowances	April 2015	Full	None
Asset Management	May 2015	Substantial	3 Medium, 2 Merits Attention
Payroll Contracts Mgt.	May 2015	Substantial	1 Medium, 4 Merits Attention

The complete account of the 2014/15 Plan is presented in the Annual Report, elsewhere on this meeting's agenda.

- 2.3 The following 2015/16 final reports and assignments have been issued.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Review of FAR	May 2015	Not Assessed	None

Details on the status of all audits in this year's plan are detailed in Appendix A.

### High Priority Recommendations

- 2.4 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.
- 2.5 The standard template schedule attached at Appendix B shows the implementation status of previously agreed high priority audit recommendations.

### Proposed Audit Plan Amendments

- 2.6 No changes to the 2015/6 Audit Plan are brought to this Committee.

### Performance Management

#### Reporting of Audit Plan Delivery Progress

- 2.7 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).
- 2.8 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 2015/16 we have agreed formal start dates with management and have allocated resources accordingly; details can be found in Appendix C. This is designed to facilitate a smoother level of audit plan delivery throughout the year.

<b>Completed - Draft or Final report has been issued (2)</b>	
Confidence level in completion of this work – Full	
Review of FAR	Insurance

<b>Fieldwork currently being carried out or in Quality Review (3)</b>	
Confidence level in completion of this work – Full	
Social Media	Section 106
Procurement Cards	

<b>Scope and Start date agreed with Management - preliminary work has begun (22)</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	
Ongoing Financial Viability of Contractors	District Museum Project
Elections Payroll	Careline Expansion Initiative
Community Centres & Halls	Safer Staffing
Main Accounting System	Debtors
Creditors	Treasury Management
Payroll	Council Tax
Non Domestic Rates	Benefits & Rent Allowances
Asset Management	Waste Contract Mgt & Renewal
Officers & Members Allowances	Profit Share Arrangements
Asset Management	DCO Refurbishment
Data Network	Use of Agency Staff

<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 Management	Joint review workshop to be scheduled

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

<b>Summary – 22 May 2015</b>		
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (28)</b>
Draft / Final	2	7
Currently in Progress	3	11
Start Date Agreed	22	79
Yet to be planned	1	3
Deferred	0	0

2.9 Annual performance indicators and associated targets were approved by the SIAS Board in March 2015.

2.10 As at 22 May 2015, 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 22 May 2015</b>	<b>Actual to 22 May 2015</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	14%	15%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	7%	7%
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	N/A	N/A
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	N/A	N/A

2.11 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2015/16 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 2015/16 AUDIT PLAN AS AT 22 May 2015**

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**2015/16 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					8	Yes	0.5	In planning
Debtors					8	Yes	0.5	In planning
Creditors					8	Yes		Start date agreed
Treasury Management					8	Yes		Start date agreed
Payroll					12	BDO		Start date agreed
Council Tax					12	BDO		Start date agreed
Non Domestic Rates					10	Yes		Start date agreed
Benefits & Rent Allowances					14	Yes		Start date agreed
Asset Management					12	Yes		Start date agreed
<b>Operational Audits</b>								
Ongoing Financial Viability of Contractors					15	Yes	0.5	In planning
Elections Payroll					15	Yes		Start date agreed
Community Halls and Centres					15	Yes		Start date agreed
Careline Expansion Initiative					12	Yes		Start date agreed
Social Media					10	Yes	8.0	In fieldwork
Insurance					15	Yes	13.5	Draft report issued
District Museum Project					15	Yes		Start date agreed
Profit Share Arrangements					10	Yes	1.0	In planning
DCO Refurbishment Project					7	Yes		Start date agreed



**APPENDIX A      PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 22 May 2015**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Section 106 Payments					10	Yes	5	In fieldwork
Use of Agency Staff					15	Yes	0.5	In planning
Safer Staffing (inc. partner Organisations)					15	Yes		Start date agreed
Officers & Members Allowances					15	Yes		Start date agreed
Neighbourhood Plans					15	Yes		Start date agreed
<b>Procurement</b>								
Waste Contract Mgt & Renewal					20	BDO		Start date agreed
Procurement Cards					12	Yes	4	In fieldwork
<b>Joint Reviews</b>								
Shared Learning					5	No		
<b>IT Audits</b>								
Data Network (Access & Resilience etc.)					15	Yes		Start date agreed
<b>Contingency &amp; Other</b>								
Contingency					5			As and when required
Election Support					2	Yes	2	Completed
Review of FAR					3	Yes	3	Completed
<b>Strategic Support</b>								
Head of Internal Audit Opinion 2014/15					5		5	Completed
Audit Committee					12		1.5	On-going
Client liaison meetings					9		1	On-going

**APPENDIX A      PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 22 May 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			On-going
Progress Monitoring					10		1.5	On-going
SIAS Development					5		5	Completed
2016/17 Audit Planning					10			Start date agreed
<b>14-15 Projects Requiring Completion</b>					10		8	
Asset Management	Substantial	0	3	2				Final report issued
Benefits & Rent Allowances	Full	0	0	0				Final report issued
Payroll Contracts Mgt	Substantial	0	1	4				Final report issued
NDR	Substantial	0	2	0				Final report issued
Council Tax	Substantial	0	1	2				Final report issued
Debtors	Substantial	0	2	3				Final report issued
Electronic Planning Register	Not Assessed	0	0	0				Final report issued
IT Change Control	Substantial	0	0	4				Final report issued
Disabled Facilities	Substantial	0	4	6				Final report issued
<b>Total - North Herts D.C.</b>					<b>400</b>		<b>60.5</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 22 May 2015	Status of Progress
1.	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	<p>Head of Revenues, Benefits and IT Update – May 2015</p> <p>We have now successfully implemented a new Disaster Recovery facility in Town Lodge, which means that we have been able to cancel our contract with Hewlett Packard with a saving of £40K per annum.</p> <p>The new facility uses mirror technology to refresh the Disaster Recovery servers on an hourly basis. Consequently, instead of taking around four days to invoke any disaster recovery</p>	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 22 May 2015	Status of Progress
						<p>situation, we can now do this in about three to four hours.</p> <p>This means that all services can be available within that timeframe, which I believe will meet the expectations of all service areas.</p>		
2.	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	Agreed	Revenues Manager	30 October 2014	<p>Head of Revenues, Benefits and IT Update – May 2015</p> <p>We have permanently moved a member of staff to work exclusively on Business Rates with our existing Senior Revenues Officer. These members of staff will monitor</p>	Implemented	<b>Completed – to be removed</b>

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		<p>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.</p> <p>Once established this should be cascaded to all relevant staff.</p>				<p>movements in and out of the Rating List and will follow up on referrals from a new service we have signed up to called Local Analyse.</p> <p>We have signed up to Local Analyse, which is a product that uses aerial photography to identify possible changes to properties that may affect their rateable value. This could be extensions, changes of use etc. Early indications are that this could provide the Council with a number of positive cases.</p> <p>We will use the output from this to notify staff</p>		

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						<p>of the type of changes that they should be looking for.</p> <p>We have established a process for dealing with companies taking advantage of the six week rule for qualifying for Empty Rate. I should point out that this not illegal, but we now have a process to ensure that in these cases, they are following the letter of the law, if not the spirit.</p>		
3,	Data Protection and FOI (March 2015)	Data sharing agreements should be put in place for all known data sharing arrangements.	Recommendation agreed	IT Business Manager	1 July 2015	<p>Information Communications Technology Manager Update - May 2015</p> <p>Data sharing</p>	In progress	<b>Carry forward to Sept FAR</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 22 May 2015	Status of Progress
		<p>Data sharing agreements should reflect the ICO Code of Data Sharing Practice.</p> <p>Reviews of data sharing agreements should be scheduled and completed accordingly (the ICO guidance is that 'regular reviews' are expected).</p> <p>The current exercise to visit all service management teams to identify whether all data sharing arrangement are known to the ICT team should be</p>				<p>agreements put in place for all known data sharing arrangements.</p> <p>Data sharing agreements reflect the ICO Code of Data Sharing Practice.</p> <p>Reviews of data sharing agreements will be scheduled and completed accordingly (to start on 1 June).</p> <p>One Team Meeting attended and in the process of emailing Heads of Service to ascertain which external bodies their departments share data with. Dates are also being requested for IT to attend DMT's,</p>		

**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 22 May 2015	Status of Progress
		<p>completed as soon as reasonably possible.</p> <p>Service managers should be reminded that they must liaise with the ICT section before entering into any data sharing arrangement and, if advised that a formal data sharing agreement is needed (e.g. the data will be shared on an ongoing rather than a one-off basis) then they should ensure that this is in place and copy the signed agreement to the ICT Manager without delay.</p>				<p>Team Meetings etc.</p> <p>Through these service meetings, managers will be reminded that they must liaise with the ICT section before entering into any data sharing arrangement.</p> <p>Progressing well and on target to be completed by 1 July 2015</p>		



**APPENDIX C AUDIT PLAN ITEMS (APRIL 2015 TO MARCH 2016) – START DATES AGREED WITH MANAGEMENT**

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Insurance	Procurement Cards	Ongoing Financial Viability of Contractors		Elections Payroll	Community Halls & Centres	Key Financial Systems (8)	Officers & Members Allowances	Profit Share Arrangements	Asset Mgt	Data Network	District Museum Project
Social Media	Section 106			Careline Expansion Initiative	Safer Staffing	Waste Contract Mgt & Renewal	Neighbourhood Plans		DCO Refurbishment	Use of Agency Staff	
	Review of FAR										