



North Herts District Council
Audit Committee Progress Report
23 March 2016

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 March 2016;
- Approve the amendments to the Audit Plan as at 4 March 2016; and
- Note the implementation status of high priority recommendations.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.5 Proposed Amendments to Audit Plan
 - 2.7 Performance Management

Appendices

- A Progress against the 2015/16 Audit Plan
- B Implementation Status of High Priority Recommendations
- C Audit Plan Items (April 2015 to March 2016) – Start dates agreed with management

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 4 March 2016.
 - b) Findings for the period 20 November 2015 to 4 March 2016 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 4 March 2016.

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 10 December 2015. This is the fourth 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 4 March 2016, 81% 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 2015/16 final reports and assignments have been issued since 20 November (cut-off date for the SIAS Update Report for 10 December 2015 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Main Accounting	January 2016	Full	None
Benefits	January 2016	Full	None
Community Centres & Halls	February 2016	Moderate	1 High, 1 Medium
Payroll	February 2016	Substantial	3 Medium, 1 Merits Attention
Council Tax	February 2016	Substantial	3 Medium, 3 Merits Attention
Neighbourhood Plans	March 2016	Substantial	1 Medium, 5 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 It has been agreed with management to defer the audit of the Hitchin Town Hall and Museum project until 2016/17. The 15 days released by this are being utilised for an audit of cemeteries (taken from the reserve list -12 days) with the balance of 3 days used for a consultancy piece on the implementation of the new asset management system.
- 2.6 At the request of the Head of Development & Building Control, an exercise was undertaken to provide independent assurance on grant claims paid under a Flood - Repairs and Renewals scheme and subsequently reclaimed from DEFRA. The budget for this was taken from the contingency allowance.

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 2.10 (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 B. This is designed to facilitate a smoother level of audit plan delivery throughout the year.

Completed - Draft or Final report has been issued (20)	
Confidence level in completion of this work – Full	
Review of FAR	Insurance
Social Media	Purchase Cards
Section 106	Ongoing Financial Viability of Contractors
Payroll	Treasury Management
Elections Payroll	Main Accounting System
Debtors	Creditors
Council Tax	Community Centres & Halls
Benefits & Rent Allowances	Benchmarking of Risk Management
Neighbourhood Plans	King George V Charitable Trust
Repair & Renew Grant	Non Domestic Rates

Fieldwork currently being carried out or in Quality Review (9)	
Confidence level in completion of this work – Full	
Profit Share Arrangements	Waste Contract Mgt & Renewal
Officers & Members Allowances	Use of Agency Staff
Asset Management	Safer Staffing
DCO Refurbishment	Data Network
Cemeteries	

Scope and Start date agreed with Management - preliminary work has begun (2)	
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.	
Asset Management system	Careline Expansion Initiative

Formal start dates not yet agreed (0)	
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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)	
District Museum Project	

Summary – 4 March 2016		
Status	No of Audits at this Stage	% of Total Audits (31)
Draft / Final	20	65%
Currently in Progress	9	29%
Start Date Agreed	2	6%
Yet to be planned	0	0%
Deferred	1	

- 2.9 Annual performance indicators and associated targets were approved by the SIAS Board in March 2015.
- 2.10 As at 4 March 2016, 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 4 March 2016	Actual to 4 March 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	86%	81%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	71%	65%
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	93%

4. Number of High Priority Audit Recommendations agreed	95%	100%	100%
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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 4 March 2016

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				
Key Financial Systems								
Main Accounting System	Full	0	0	0	8	Yes	8	Final report issued
Debtors	Full	0	0	0	8	Yes	8	Final report issued
Creditors	Full	0	0	0	8	Yes	8	Final report issued
Treasury Management	Substantial	0	0	0	8	Yes	8	Final report issued
Payroll	Substantial	0	3	1	12	BDO	12	Final report issued
Council Tax	Substantial	0	3	3	12	BDO	12	Final report issued
Non Domestic Rates					10	Yes	9.5	Draft report issued
Benefits & Rent Allowances	Full	0	0	0	14	Yes	14	Final report issued
Asset Management					12	Yes	9	In fieldwork
Operational Audits								
Ongoing Financial Viability of Contractors	Moderate	0	3	1	15	Yes	15	Final report issued
Elections Payroll	Substantial	0	2	2	15	Yes	15	Final report issued
Community Halls and Centres	Moderate	1	1	0	15	Yes	15	Final report issued
Careline Expansion Initiative					12	Yes	2.5	ToR issued
Social Media	Substantial	0	1	1	10	Yes	10	Final report issued
Insurance	Substantial	0	0	1	15	Yes	15	Final report issued
District Museum Project					0	Yes		Deferred to 16/17
Profit Share Arrangements					10	Yes	7.5	In fieldwork
DCO Refurbishment Project					7	Yes	5	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 4 March 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Section 106 Payments	Substantial	0	2	1	10	Yes	10	Final report issued
Use of Agency Staff					15	Yes	10	In fieldwork
Safer Staffing (inc. partner Organisations)					15	Yes	1	ToR issued
Officers & Members Allowances					15	Yes	12	In fieldwork
Neighbourhood Plans	Substantial	0	1	5	15	Yes	15	Final report issued
Repair & Renew Grant	Not assessed	0	0	0	1	Yes	1	Final Report Issued
Cemeteries					12	BDO	1	In fieldwork
King George V Charitable Trust	Not assessed	0	0	0	1	No	1	Final report issued
Asset Management System					3			In planning
Procurement								
Waste Contract Mgt & Renewal					20	BDO	6	In fieldwork
Procurement Cards	Substantial	0	0	2	12	Yes	12	Final report issued
Joint Reviews								
Shared Learning – inc. Benchmarking of Risk Management	Not assessed				5	Yes	5	Complete
IT Audits								
Data Network (Access & Resilience etc.)					15	Yes	7.5	In fieldwork
Contingency & Other								
Contingency					3			As and when required
Election Support					2	Yes	2	Completed
Review of FAR	N/A	N/A			3	Yes	3	Final report issued

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 4 March 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Strategic Support								
Head of Internal Audit Opinion 2014/15					5	5	Completed	
Audit Committee					12	12	On-going	
Client liaison meetings					9	9	On-going	
External Audit Liaison					1	1	On-going	
Progress Monitoring					10	10	On-going	
SIAS Development					5	5	Completed	
2016/17 Audit Planning					10	10	Completed	
14-15 Projects Requiring Completion					10	10		
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	
Total - North Herts D.C.					400	322		

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 4 March 2016	Status of Progress
1.	Community Halls and Centres February 2016	An updated report be taken to Cabinet to obtain a formal decision on how the Council should progress and complete community centre lease negotiations, in order to conclude this process and set the expectations for future lease negotiations for other NHDC owned community assets. This should include an update of the current position, including work undertaken to date and also tenancy options to be considered.	Agreed – updated report to be produced and taken to Cabinet, seeking guidance on how officers should now progress remaining lease negotiations and/or review agreed policy.	Senior Estates Surveyor and Head of Policy & Community Services	June 2016	Head of Policy & Community Services – February 2016 It is intended to take the report to the Council's Cabinet by June 2016.	In progress	Carry Forward to June FAR

NHDC - 15/16 Audit Plan - Start Months											
Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Insurance - Final report	Procurement Cards - Final Report	On-going Financial Viability of Contractors - Final report		Elections Payroll – Final report	Bench-marking of Risk Mgt -Final report	Main Accounting CRSA Yr1 – Final report	Officers & Members Allowances – in fieldwork	Profit Share Arrangements – in fieldwork	KGV Trust – Final report	Data Network – in fieldwork	Cemeteries – in fieldwork
Social Media - Final Report	Section 106 - Final report					Debtors CRSA Yr1 - Final report	Neighbourhood Plans – Final report	Community Centres and Halls – Final report	DCO Refurbishment – in fieldwork	Use of Agency Staff – in fieldwork	Asset management system – in planning
	Review of FAR - Final report					Creditors CRSA Yr1 – Final report	NDR – draft report	Benefits & Rent Allowances – Final report	Careline Expansion Initiative – ToR issued	Safer Staffing – ToR issued	
						Treasury Management CRSA Yr2 – Final report	Council Tax – Final report	Repair & Renew Grant – Final report		Asset Management – in fieldwork	
						Payroll – Final report					
						Waste Contract Mgt & Renewal - in fieldwork					