



North Herts District Council
Audit Committee Progress Report
13 June 2016

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 20 May 2016;
- Approve the amendments to the Audit Plan as at 20 May 2016; and
- Note the implementation status of 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 2016/17 as at 20 May 2016.
 - b) Findings for the period 5 March 2016 to 20 May 2016 for audits assessed as 'Limited', or 'No' assurance (there were none in the period).
 - c) Proposed amendments to the approved 2016/17 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 May 2016.

Background

- 1.2 The 2015/16 Annual Audit Plan was approved by the Finance, Audit & Risk Committee on 23 March 2016.
- 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 23 March 2016. This is the first report giving feedback on the delivery of the 2016/17 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 20 May 2016, 10% of the 2016/17 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 9 March (cut-off date for the SIAS Update Report for 23 March 2016 FAR Committee):

| Audit Title | Date of Issue | Assurance Level | Number of Recommendations |
|---------------------------|----------------------|------------------------|----------------------------------|
| Non Domestic Rates | March 2016 | Substantial | 2 Medium, 1 Merits Attention |
| Careline | April 2016 | Substantial | 1 Medium, 2 Merits Attention |
| Data Network | April 2016 | Full | None |
| Use of Agency Staff | April 2016 | Substantial | 2 Medium, 1 Merits Attention |
| Cemeteries | May 2016 | Substantial | 1 Medium, 1 Merits Attention |
| Profit Share Arrangements | May 2016 | Full | None |
| Officer & Member Expenses | May 2016 | Substantial | 3 Medium |
| DCO Refurbishment Project | May 2016 | Substantial | 2 Medium, 2 Merits Attention |

- 2.3 The following 2016/17 final reports and assignments have been issued.

| Audit Title | Date of Issue | Assurance Level | Number of Recommendations |
|--------------------|----------------------|------------------------|----------------------------------|
| Review of FAR | May 2016 | 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 It has been agreed with management to allocate five days from contingency to undertake a review of the Baldock Town Partnership. In addition, time has been allocated from the Grants audit budget to investigate an issue with the governance arrangements around specific Area Committee grants made at year end.

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 2016/17 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 (1) | |
| Confidence level in completion of this work – Full | |
| Review of FAR | |

| | |
|-----------------------------------------------------------------------|--------------------|
| Fieldwork currently being carried out or in Quality Review (3) | |
| Confidence level in completion of this work – Full | |
| Car Parking Operations | Absence Management |
| Business Continuity | |

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Scope and Start date agreed with Management - preliminary work has begun (26) | |
| 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. | |
| Data Retention & Storage | Contract Management |
| Ethics Policies | Baldock Town Partnership |
| Data Protection / FOI | Risk Management |
| Homelessness | Treasury Management |
| Main Accounting | Debtors |
| Creditors | Green Space Strategy |
| Payroll | Non Domestic Rates |
| Council Tax | Careline Operations |
| IT Asset Management | Benefits |

| | |
|------------------------------|------------------------------|
| Appraisal Process | Development Control |
| Use of Consultants | Corporate Project Management |
| Grants | Asset Management |
| Office Accommodation Project | HTH & Museum |

Formal start dates not yet agreed (1)

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 |
|-------------------------------------------------------|---------------|
| Joint Review (subject to be determined by SIAS Board) | |

Deferred (0)

| | |
|------|--|
| None | |
|------|--|

Summary – 20 May 2016

| Status | No of Audits at this Stage | % of Total Audits (31) |
|-----------------------|----------------------------|------------------------|
| Draft / Final | 1 | 3% |
| Currently in Progress | 3 | 10% |
| Start Date Agreed | 26 | 84% |
| Yet to be planned | 1 | 3% |

| | | |
|----------|---|--|
| Deferred | 0 | |
|----------|---|--|

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

2.10 As at 20 May 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 20 May 2016 | Actual to 20 May 2016 |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------------------|-----------------------|
| 1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency) | 95% | 12% | 10% |
| 2. Planned Projects – percentage of actual completed | 95% | 3% | 3% |

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|------|------|--------------------------|
| projects to draft report stage against planned completed projects | | | |
| 3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level | 100% | 100% | N/A |
| 4. Number of High Priority Audit Recommendations agreed | 95% | N/A | None yet made in 2016/17 |

2.11 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 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 2016/17 AUDIT PLAN AS AT 20 MAY 2016

2016/17 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 | | | | | 8 | Yes | | Start date agreed |
| Benefits & Rent Allowances | | | | | 14 | Yes | | Start date agreed |
| Council Tax | | | | | 12 | Yes | | Start date agreed |
| Creditors | | | | | 8 | Yes | | Start date agreed |
| Debtors | | | | | 8 | Yes | | Start date agreed |
| Asset Management | | | | | 12 | Yes | | Start date agreed |
| Non Domestic Rates | | | | | 10 | Yes | | Start date agreed |
| Payroll | | | | | 8 | Yes | | Start date agreed |
| Treasury Management | | | | | 12 | Yes | | Start date agreed |
| Operational Audits | | | | | | | | |
| Development Control | | | | | 15 | Yes | | Start date agreed |
| Ethics Policies | | | | | 10 | Yes | 2.2 | In planning |
| HTH & Museum Project | | | | | 15 | Yes | | Start date agreed |
| Careline Operation | | | | | 15 | Yes | | Start date agreed |
| Homelessness | | | | | 10 | Yes | | Start date agreed |
| Grants | | | | | 15 | Yes | 0.5 | In planning |
| Business Continuity / Disaster Recovery | | | | | 15 | Yes | 3.1 | In fieldwork |
| Absence Management | | | | | 10 | Yes | 1.9 | In fieldwork |
| Office Accommodation Project | | | | | 10 | Yes | | Start date agreed |
| Appraisal Process | | | | | 10 | Yes | | Start date agreed |
| Risk Management | | | | | 10 | Yes | | Start date agreed |

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 20 MAY 2016

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|----------------------------------------------------------------------------------------------------------|--------------------|------|---|----|-----------------|-----------------------|-------------------------|-------------------|
| | | H | M | MA | | | | |
| Car Parking Operations | | | | | 10 | Yes | 3.0 | In fieldwork |
| Green Space Strategy | | | | | 10 | Yes | 0.1 | Start date agreed |
| Data Retention & Storage | | | | | 10 | Yes | 1.5 | In planning |
| Procurement | | | | | | | | |
| Use of Consultants | | | | | 10 | Yes | 0.2 | Start date agreed |
| Corporate Project Management | | | | | 15 | Yes | | Start date agreed |
| Contract Management | | | | | 15 | Yes | 2.0 | ToR issued |
| Joint Reviews | | | | | | | | |
| Shared Learning Newsletters Audit Committee Workshop Joint Review – Benchmarking Workshop (tbd) | | | | | 5 | Yes | | |
| Joint Reviews – tbd by SIAS Board | | | | | 5 | Yes | | |
| IT Audits | | | | | | | | |
| Data Protection / FOI | | | | | 10 | Yes | 0.1 | Start date agreed |
| IT Asset Management | | | | | 10 | Yes | | Start date agreed |
| Contingency & Other | | | | | | | | |
| Contingency | | | | | 0 | | | |
| Election Support | | | | | 2 | Yes | 2.0 | Completed |
| Baldock Town Partnership | | | | | 5 | Yes | 1.0 | In planning |
| Review of FAR | | | | | 3 | Yes | 3.0 | Completed |
| Strategic Support | | | | | | | | |
| Head of Internal Audit Opinion 2016/17 | | | | | 5 | Yes | 5.0 | Completed |

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 20 MAY 2016

| 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 | |
| Audit Committee | | | | | 12 | 3.0 | On-going | |
| Client meetings | | | | | 10 | | On-going | |
| 2017/18 Audit Planning | | | | | 10 | | Start date agreed | |
| Progress Monitoring | | | | | 10 | 2.0 | On-going | |
| SIAS Development | | | | | 5 | | | |
| 15/16 Projects Requiring Completion | | | | | 10 | 8.0 | | |
| Asset Management | | | | | | | Draft report issued | |
| Careline Expansion Initiative | Substantial | 0 | 1 | 2 | | | Final report issued | |
| Profit Share Arrangements | Full | 0 | 0 | 0 | | | Final report issued | |
| DCO Refurbishment Project | Substantial | 0 | 2 | 2 | | | Final report issued | |
| Use of Agency Staff | Substantial | 0 | 2 | 1 | | | Final report issued | |
| Safer Staffing | | | | | | | Draft report issued | |
| Officer & Members Allowances | Substantial | 0 | 3 | 0 | | | Final report issued | |
| Cemeteries | Substantial | 0 | 1 | 1 | | | Final report issued | |
| Waste Contract – Management & Renewal | | | | | | | Draft report issued | |
| Data Network (Starters & Leavers) | Full | 0 | 0 | 0 | | | Final report issued | |
| Total - North Herts D.C. | | | | | 400 | 38.6 | | |

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 May 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 – May 2016 A report on the status of lease negotiations with four community centres (Walsworth, Coombes, Westmill and St Michaels) was presented to the June 2016 Cabinet. It was resolved that officers should once more attempt to progress negotiations on basis agreed by the two relevant Executive Members, and by August 2016. If no agreement is reached by that time, officers to report again to Cabinet in September when they will consider and may resolve to take | In progress | Carry Forward to Sept FAR |

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 May 2016 | Status of Progress |
|-----|---------------------------------|----------------|------------------------|------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------|
| | | | | | | alternative approach. We are hopeful that agreement will be reached with Westmill and conclude negotiations within 5/6 weeks, with second meetings due with other centres regarding revised lease documents in the next month. | | |

| NHDC 2016/17 Audit Plan Start Months | | | | | | | | | | | |
|--------------------------------------|--------------------------|---------------------|--------|------------------------------|-----------------|----------------------|---------------------|---------------------|------------------------------|------------------|-----|
| Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar |
| Car Parking Operations | Absence Management | Contract Management | DP/FOI | Office Accommodation Project | HTH & Museum | Homelessness | Payroll | Benefits | Use of Consultants | Asset Management | |
| Review of FAR | Data Retention & Storage | Ethics Policies | | | Risk Management | Treasury Management | NDR | Appraisal Process | Corporate Project Management | | |
| | Business Continuity | | | | | Main Accounting | Council Tax | Development Control | Grants | | |
| | | | | | | Debtors | Careline Operation | | | | |
| | | | | | | Creditors | IT Asset Management | | | | |
| | | | | | | Green Space Strategy | | | | | |