



North Herts District Council
Audit Committee Progress Report
19 December 2016

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 25 November 2016;
- Approve the amendments to the Audit Plan as at 25 November 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 25 November 2016.
- b) Findings for the period 27 August to 25 November 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 25 November 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 22 September 2016. This is the third 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 25 November 2016, 43% 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 2016/17 final reports and assignments have been issued since 7 September (cut-off date for the SIAS Update Report for 22 September 2016 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Disabled Facilities Grant Certification	Sept 2016	Not assessed	n/a
Data Retention and Storage	Sept 2016	Substantial	8 Merits Attention
Ethical Policies	November 2016	Substantial	2 Medium, 1 Merits Attention

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

2.8 With the agreement of the Strategic Director Finance, Policy and Governance, the following changes to the agreed audit plan are proposed:

- Owing to slippage, the audit of the implementation stage of the Office Accommodation project will be carried forward to the 2017/18 audit year, the nine days remaining to be returned to contingency.
- The audit of the Baldock Town Partnership is now cancelled and the remaining 3 days are to be returned to contingency.
- The unplanned work around the certification of the Disabled Facilities Grant is to be funded by taking 1.5 days from contingency.
- The audit of the King George V charity accounts to be funded by taking 1.5 days from contingency.

- An additional 0.5 days to be allocated to the Whistleblowing Investigation to cover actual time taken to undertake the requested work.
- 3.5 days to be added to the Grants audit budget to return it to the originally agreed 15 days. (The Discretionary Grants Investigation was originally funded by 1 day contingency and this 3.5 day reduction in the Grants audit budget).

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.9 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 2.12 (below).
- 2.10 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 (10)	
Confidence level in completion of this work – Full	
Review of FAR	Car Parking Operations
Business Continuity	Absence Management
Discretionary Grants Investigation	Whistleblowing Investigation
Ethics Policies	Data Retention & Storage
DFG Certification	Data Protection / FOI

Fieldwork currently being carried out or in Quality Review (6)	
Confidence level in completion of this work – Full	
Contract Management	Risk Management
Main Accounting	Payroll
Debtors	Creditors

Scope and Start date agreed with Management - preliminary work has begun (17)	
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.	
Homelessness	Treasury Management
Non Domestic Rates	Green Space Strategy
Council Tax	Careline Operations

IT Asset Management	Benefits
Appraisal Process	Development Control
Use of Consultants	Corporate Project Management
Grants	Asset Management
King George V Playing Field	Joint Review - delivery of the Prevent agenda
Joint Review – Local Authority trading	

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
HTH & Museum	Future of audit to be determined by client

Deferred (1)	
Office Accommodation Project	

Cancelled (1)	
Baldock Town Partnership	

Summary – 25 November 2016		
Status	No of Audits at this Stage	% of Total Audits (34)
Draft / Final	10	29%
Currently in Progress	6	18%
Start Date Agreed	17	50%
Yet to be planned	1	3%
Deferred	1	
Cancelled	1	

- 2.11 Annual performance indicators and associated targets were approved by the SIAS Board in March 2015.
- 2.12 As at 25 November 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 25 November 2016	Actual to 25 November 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	51%	43%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	38%	29%
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%	95%	100%

2.13 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 25 NOVEMBER 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	4.5	In fieldwork
Benefits & Rent Allowances					14	Yes		Start date agreed
Council Tax					12	Yes	1	ToR issued
Creditors					8	Yes	1.5	In fieldwork
Debtors					8	Yes	1.5	In fieldwork
Asset Management					10	Yes	0.5	In planning
Non Domestic Rates					10	Yes	1.5	ToR issued
Payroll					8	Yes	3	In fieldwork
Treasury Management					10	Yes	0.5	ToR issued
Operational Audits								
Development Control					15	Yes	2	ToR issued
Ethics Policies	Substantial	0	2	1	10	Yes	10	Final report issued
HTH & Museum Project					15	Yes		In discussion
Careline Operation					15	Yes		Start date agreed
Homelessness					10	Yes	2	In fieldwork
Grants					15	Yes		Start date agreed
Business Continuity / Disaster Recovery	Substantial	0	2	1	15	Yes	15	Final report issued
Absence Management	Substantial	0	0	2	10	Yes	10	Final report issued
Office Accommodation Project					1	Yes	1	Deferred to 17/18
Appraisal Process					10	Yes		Start date agreed
Risk Management					10	Yes	7	In fieldwork

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 25 NOVEMBER 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Car Parking Operations	Substantial	0	1	1	10	Yes	10	Final report issued
Green Space Strategy					10	Yes	3.5	In planning
Data Retention & Storage	Substantial	0	0	8	10	Yes	10	Final report issued
Whistleblowing Investigation	Not assessed				7	Yes	6.5	Final report issued
Disabled Facilities Grant Certification	Not assessed				1.5		1.5	Final report issued
Procurement								
Use of Consultants					10	Yes	0.5	Start date agreed
Corporate Project Management					15	Yes		Start date agreed
Contract Management					15	Yes	13	In fieldwork
Joint Reviews								
Shared Learning Newsletters Audit Committee Workshop Joint Review – Benchmarking Workshop (tbd)					5	Yes	1	On-going
Joint Review – Local Authority Trading					2.5	Yes	0.5	ToR issued
Joint Review – delivery of the Prevent agenda					2.5	Yes		ToR issued
IT Audits								
Data Protection / FOI					10	Yes	9.5	Draft report issued
IT Asset Management					10	Yes	0.5	In planning
Contingency & Other								
Contingency					5			
Discretionary Grants Investigation	Not assessed				4.5	Yes	4.5	Final report issued

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 25 NOVEMBER 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Election Support					3.5	Yes	3.5	Completed
Baldock Town Partnership					2	Yes	2	Audit cancelled
Review of FAR					3	Yes	3	Completed
King George V					1.5	Yes		Start date agreed
Strategic Support								
Head of Internal Audit Opinion 2016/17					5	Yes	5	Completed
External Audit Liaison					1		0.5	On-going
Audit Committee					12		7.5	On-going
Client meetings					10		5	On-going
2017/18 Audit Planning					10		4	In progress
Progress Monitoring					10		7	On-going
SIAS Development					5		5	
15/16 Projects Requiring Completion					5		5	
Asset Management	Substantial	0	4	1				Final 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	Limited	2	1	1				Final report issued
Officer & Members Allowances	Substantial	0	3	0				Final report issued
Cemeteries	Substantial	0	1	1				Final report issued
Waste Contract – Management &	Moderate	2	1	2				Final report issued

APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 25 NOVEMBER 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Renewal								
Data Network (Starters & Leavers)	Full	0	0	0			Final report issued	
Total - North Herts D.C.					400	169.5		

APPENDIX C

AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment December 2016	Status of Progress
1.	Safer Staffing August 2016	Implement a formal mechanism requiring those officers responsible for contract management to provide updates on contractors' arrangements for safeguarding (and any concerns regarding those arrangements) to the Policy and Community Services team.	We will add safeguarding as a standard agenda item to discussion at our quarterly Contracts and Procurement Group; Policy and Community Services team to attend/update as necessary.	Payment and Reconciliations Manager	December 2016	<p>Controls, Risk & Performance Manager Nov 2016</p> <p>Safeguarding added to the CPG agenda on a quarterly basis. Contract Manager for Leisure Contract invited to give a presentation at April meeting and Policy officer also invited to attend.</p> <p>Head of Finance, Performance and Asset Management – August 2016</p> <p>Once included in the template, to be considered at contract stage (for inclusion in the Terms and Conditions) how this will be monitored and</p>	Implemented	Completed – to be removed

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						therefore reported. Advice will be provided to contract managers on how to do this on a case-by-case basis. This will focus on ensuring the contractor is maintaining training records, and detailed checking of a sample of individual records where appropriate.		
2.	Safer Staffing August 2016	As part of the oversight and monitoring procedures referred to in recommendation above, check a sample of contractors' employee records to ensure there is a record of the DBS check and	Standard docs to be updated with DBS checks to be carried out as part of Evaluation process (where applicable) Procurement to investigate use of Intend (our e – tendering system) regarding uploading	Payment and Reconciliations Manager	July 2016 (training) December 2016	Controls, Risk & Performance Manager Nov 2016 ITT template has been updated to include Safeguarding / DBS as a pass/fail section for all relevant contracts. Limited number of contracts that this	Implemented	Completed – to be removed

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		<p>appropriate training. As resources may be limited, the Council should focus the verification of evidence on areas of service delivery perceived to have the highest safeguarding risks.</p>	<p>supplier training documents and project manager carrying out periodic checks This way there will be a full audit trail in the system of the documents provided and checked and automatic reminders issued when expiry dates reached.</p>			<p>applies to, however WIP Contract Management guide includes references to ensure that DBS records are kept up to date where relevant.</p> <p>The procurement officer will be returning from maternity leave in January and will commence working on the Contract module within the e- tendering system with a view to getting this in place by the end of March 2017.</p> <p>Pass/ fail requirement (for all relevant contracts, as determined by contract manager) that they are doing DBS, and that requested sample is provided</p>		

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						and supports this. To be added to Invitation to Tender (ITT) by end of September.		
3.	Waste Contract August 2016	As part of the contract renewal process, formal requirements regarding the quality of performance data provided by the contractor should be included in the terms and conditions of the contract. This should include mechanisms by which the Council can both directly access the data and require the contractor to undertake (either directly or	The upgrade to the waste management IT software is expected to be in place by mid-2016. This will give officers direct access to the system.	Service Manager (Waste and Recycling)	July 2016	Service Manager (Waste and Recycling) Dec 2016 – IT system up and running for domestic collections, implementation for trade is delayed due to staff vacancies. August 2016 - IT system currently in testing phase. Anticipated to go live for domestic collections and street cleansing by 1 st October 2016	In progress	Carry forward to March FAR

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment December 2016	Status of Progress
		commissioned by the Council) data quality audits should these be deemed necessary.	Greater integration with the NHDC customer service centre and website will be possible with the new system and these options will be explored to reduce the risk of data transfer errors in relation to contacts reported by the public. This will be subject to cost but can be considered further for the implementation of the new contract, alongside decisions regarding the management of customer contacts.	Service Manager (Waste and Recycling), Comms Manager, Customer Services Manager.	April 2017	Dec 2016 – New contract client team discussions and IT approach likely to begin in early 2017 August 2016 - Initial meetings for project initiation set up, however is now largely dependent on the structure of the new shared service client team, which will not be decided until later in 2017. This is therefore unlikely to be completed on time.	In progress	Carry forward to March FAR

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AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment December 2016	Status of Progress
4.	Waste Contract August 2016	<p>Officers are aware of the weaknesses in the current performance management regime and given that the existing contract is due for renewal and that service delivery is adequate, we do not recommend that any action is now taken to enforce the performance management regime for the existing contract, as the effort required is unlikely to yield any substantial benefits prior to the contract expiring.</p> <p>However, the Council should ensure that it</p>	<p>Evidence exists that both parties agreed to implement the system on 2nd September 2002. It is understood that the regime was in place for approximately 5 years but no data exists for this period. No officers from the current management team were present at this time and the regime in place was not sufficient to effectively monitor performance after service changes and contract extension in</p>	Service Manager (Waste and Recycling)	Development of PMR specification for new contract due September 2016	<p>Service Manager (Waste and Recycling)</p> <p>Dec 2016 – Discussions ongoing, PMR specification due to be completed by January 2017</p> <p>August 2016 - The specification of the PMR is on-going and examples of other Council systems is being considered. Negotiations are now also required with EHC due to the agreement to progress with the shared service. Consultants have been commissioned to assist with a critical friend analysis of final documents.</p>	In progress	Carry forward to March FAR

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		<p>factors its experience with the current contract into the process for developing performance management on the new contract. This should include:</p> <ul style="list-style-type: none"> • investigating and understanding why it was not implemented for the current contract • specification of a detailed performance management regime which is formally agreed by all partners at the commencement of the new contract; and • Monitoring the 	<p>2007. Efforts to review the matrix in 2011/12 failed to reach agreement and was resource intensive due to the lack of access to and reporting from a suitable waste management software system.</p> <p>It is anticipated that the upgraded IT system will provide sufficient reporting to inform a new PMR system for the new contract.</p>					

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		implementation of the new regime to ensure it is being applied rigorously from the start of the new contract.						

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AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

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				DFG Certification	Main Accounting	Council Tax	Development Control	Grants		
						Debtors	Careline Operation	King George V	IT Asset Management		
						Creditors					
						Green Space Strategy					

* Audit deferred to 2017/18

** Audit to be rescheduled on management advice – revised date tbd