North Herts District Council

Audit Committee Progress Report

16 March 2020

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 March 2020,
- Note the proposed amendments to the 2019/20 Annual Audit Plan, 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
- 2.4 High Priority Recommendations
- 2.7 Proposed Amendments to the 2019/20 Annual Audit Plan
- 2.11 Performance Management

Appendices

A Progress against the 2019/20 Audit Plan

B Implementation Status of High Priority Recommendations

C 2019/20 Audit Plan Start Dates Agreed with Management

D Assurance and Finding Definitions 2019/20

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 2019/20 as at 4 March 2020.
b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
c) Proposed amendments to the 2019/20 Annual Audit report
d) An update on performance management information as at 4 March 2020.

Background

1.2 The 2019/20 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2019.

1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the final report giving feedback on the delivery of the 2019/20 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 2020, 86% of the 2019/20 Audit Plan days had been delivered.

2.2 The following 2019/20 final reports have been issued since 15 November 2019 (cut-off date for the SIAS Update Report for 5 December 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Workforce Planning and Development	January 2020	Satisfactory	2 Medium, 1 Low
Workman's Hall	January 2020	N/A	N/A
King George V Playing Fields	January 2020	N/A	N/A
Corporate Resilience	February 2020	Satisfactory	1 Medium, 2 Low

2.3 Details on the status of all audits in this year's plan can be found 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 There are no high priority recommendations arising from the work undertaken in the audits detailed in paragraph 2.2 above. There are three high priority recommendations that remain in progress, one relating to Corporate Debt Management, one relating to Museum Services and one relating to the Time Recording System.

2.6 The standard template schedule attached at Appendix B shows the management response, target implementation date and the implementation status of the agreed high priority audit recommendations that are currently not implemented.

Proposed Amendments

2.7 At the request of management, the following changes have been made to the 2019/20 Annual Audit Plan in the period since the last FAR Committee:

2.8 As agreed with management, some small additions of time have been added to following audits:

a) Time Recording System – 2 days
b) Workforce Planning and Development – 2 days

2.9 As a result of the above changes, contingency in the 2019/20 Annual Audit Plan for the Council stands at 2 days.

2.10 There have been some locally agreed changes to proposed start dates, details of these can be found in Appendix C.

Performance Management

Reporting of Audit Plan Delivery Progress

2.11 To help the Committee assess the current situation in terms of progress against the projects in the audit plan, we have provided a timetable that shows the overall progress at Appendix C. The table below shows that summary of performance based on the latest performance information reported at Appendix A.

Summary – 4 March 2020			
Status	**No of Audits at this Stage**	**% of Total Audits (27)**	**Profile to date**
Draft / Final Report Issued	17	63%	(20/27)
In Fieldwork / Quality Review	10	37%	(7/27)
Terms of Reference Issued / In Planning	0	0%	(0/27)
Yet to be planned	0	0%	(0/27)

Deferred	0
Cancelled	2

2.12 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.

2.13 As at 4 March 2020, actual performance for North Herts District Council 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 2020	Actual to 4 March 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90% (305 / 338 days)	86% (292 / 338 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	74% (20 / 27 projects)	63% (17 / 27 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (8 issued, 6 returned – all 6 meet satisfactory levels))
4. Number of High Priority Audit Recommendations agreed	95%	95%	100%

2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2019/20 Head of Assurance's Annual Report:

- **5. 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.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 4 MARCH 2020

2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Key Financial Systems									
Integra 2 – General Ledger, Debtors and Creditors	Good	0	0	0	0	14	Yes	14	Final Report Issued
Treasury Management						8	Yes	7.5	Draft Report Issued
Expenses						10	Yes	2.5	In Fieldwork
Budgetary Control						10	Yes	6.5	In Fieldwork
Revenues						15	Yes	14.5	Draft Report Issued
Benefits						10	Yes	9.5	Draft Report Issued
Corporate Audits									
Data Quality of Performance Information						0	Yes	0	Cancelled
Workforce Planning and Development	Satisfactory	0	0	2	1	22	Yes	22	Final Report Issued
Corporate Resilience	Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
Corporate Change Management						15	Yes	13	In Fieldwork
Operational Audits									
Trade Waste						15	Yes	3	In Fieldwork
Temporary Accommodation						12	Yes	11.5	Draft Report Issued
Time Recording System	Limited	0	1	1	1	14	Yes	14	Final Report Issued
Members Expenses Benchmarking						8	Yes	2	In Fieldwork
Parking Strategy and						0	Yes	0	Cancelled

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 4 MARCH 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Enforcement									
Transparency Code	Satisfactory	0	0	0	0	12	Yes	12	Final Report Issued
Equality and Diversity	Good	0	0	0	2	10	Yes	10	Final Report Issued
Herts Home Improvement Agency						2	Yes	1	In Fieldwork
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
Workman's Hall	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
Development Management						10	Yes	2	In Fieldwork
Insurance						10	Yes	8	In Fieldwork
Careline Stock						10	Yes	9.5	Draft Report Issued
Procurement / Contracts									
Financial Resilience of Suppliers						15	Yes	14	Quality Review
IT Audits									
General Data Protection Regulations	Satisfactory	0	0	2	2	10	Yes	10	Final Report Issued
Cyber Security	Satisfactory	0	0	4	1	15	Yes	15	Final Report Issued
Systems Access – Passwords						12	Yes	11.5	Draft Report Issued
Anti-Fraud									
SAFS Review						2	Yes	2	Quality Review
Shared Learning and Joint Reviews									
Joint Reviews						2	Yes	2	Allocated
Shared Learning						3	Yes	3	Through Year

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 4 MARCH 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Contingency & Ad Hoc Activity									
Contingency & Ad Hoc Activity						2	Yes	0	As Required
Strategic Support									
Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						8	Yes	8	Through Year
Client Meetings						8	Yes	8	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Progress Monitoring						10	Yes	10	Through Year
SIAS Development						5	Yes	5	Through Year
2020/21 Audit Planning						6	Yes	6	Through Year
2018/19 Projects requiring completion									
Finalisation of Projects						11	Yes	11	Complete
Total - North Herts D.C.		**0**	**1**	**10**	**9**	**340**		**292**	

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 (Last 12 months)	Status of Progress
1.	Corporate Debt Management (March 2018)	We recommend that the Council undertakes training with all officers responsible for debt management and recovery. Within this training and in lieu of a corporate policy, clear procedures should be outlined and documented to provide clear direction and consistent approach to debt management and recovery in all directorates. The training and procedures should set out the entire standard corporate debt recovery process, from start to finish, in writing and through illustration (via a summary flowchart), so that the automated and manual intervention stages, actions and timings are all clearly defined. The roles,	To take place once new revised format of aged debt complete.	Controls, Risk and Performance Manager / Revenues Manager	31 October 2019	**June 2019** - Not applicable. **September 2019** - A survey on the format of the aged debt report, which seeks the views of budget holders, has just commenced. Once a revised report has been set up taking into consideration both the audit recommendations and views of managers, officers will set up some training with managers on what the report is telling them and what action they need to take. **November 2019** - First quarterly report taken to SMT on 5 November 2019, highlighting current issues. Subsequent meetings held with Estates and Licensing to identify action to be taken. Familiarisation sessions to be held in December 2019 to go through format of the aged debt report and explain role to users. **March 2020** - Following the approved changes to the	**Implemented**

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 (Last 12 months)	Status of Progress
		responsibilities and delegations of corporate finance, corporate recovery and services in regard to monitoring, pursuing and writing off overdue sales invoices should be fully explained to all officers and accurately reflect the Financial Regulations. The Council should initially focus on getting the basic debt recovery steps implemented in practice. Once this is in place, the Council should review the impact on overall debt levels and assess the capacity and resources available to pursue debts robustly.				format of the aged debt report, relevant training was developed, and a full programme of training sessions were delivered during late 2019 and early 2020. The slides used for the training have been made available on the intranet for reference. The course has been added to Grow Zone, the Council's learning management system, to enable officers to book future sessions and receive the training when required.	

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 (Last 12 months)	Status of Progress
2.	Museum Services (February 2019)	We recommend that the Council implements a plan to address the future storage that it will face. There are several options to consider: a) Invest in a new storage facility that is larger and has greater capacity to house an expanding range of artefacts; b) Purchase additional space to handle the overflow from the current storage facility; or c) Invest resources to undertake rationalisation of the current artefacts in storage. All of the above have cost implications, both time and financial costs, therefore a cost benefit	The Council is aware that the long-term storage requirements need to be investigated and will undertake an options appraisal to identify the best approach to try and resolve this.	Service Director (Commercial)	30 April 2020	**June 2019** - Not applicable **September 2019** – the service will undertake and complete the options appraisal during 2019/20, ideally prior to the commencement of the 2020/21 corporate business planning cycle. This will enable any relevant proposals to be included in the capital investment proposals for the new year. **November 2019** - Following a comprehensive review of the audit outcomes, a Capital investment proposal for a new storage facility at Bury Mead has been put forward, as part of the 2020/21 Corporate Business Planning Process. This proposal will be subject to approval, with the 2020/21 budget due to be considered by Cabinet in January 2020 and Council in February 2020. **March 2020** - Plans for a museum storage solution on	**Implemented**

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 (Last 12 months)	Status of Progress
		analysis should be completed to support the management decision.				the existing Bury Mead site are progressing and capital funding was approved by Council on 6 February 2020. When completed, the new facility will fulfil current and future storage requirements and will enable the old Hitchin and Letchworth museum buildings to be emptied. The project is in the early stages and further feasibility work is still required, although the expectation is that the specification will be produced and the works will be tendered in 2020/21, work on site will commence in 2021/22 and should be completed in 2022/23. The Museum Service continues to review and rationalise existing artefacts, including the disposal of surplus objects.	

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 (Last 12 months)	Status of Progress
3.	Time Recording System (September 2019)	We recommend that the MSU to send details of timesheets having to be unlocked, to the Line Managers to provide an overview of the timeliness of timesheet completion. Management should be reminded of their responsibilities, as highlighted in recommendation 1, relating to monitoring and oversight of officers' time records. Consideration should be given to the production of exception reports that detail incomplete time records at the end of the period and these should be shared with management. In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented	Management Support Unit (MSU) Manager to arrange for confirmation that the request has been received to unlock will be sent to individual's line managers, with the reason for the unlock request. IT to develop functionality for reporting incomplete timesheets at the end of each four-week flexi period.	Service Director (Customers)	31 December 2019	**September 2019** – not applicable **November 2019** – The unlocking procedure has been changed so that now a request to unlock a timesheet has to be made by the line manager and not the officer concerned. This ensures that line managers are immediately aware of a request to unlock and are better placed to deal with repeat occurrences. In terms of the reports, IT has confirmed that these can be amended and produced. There is an ongoing review of the flexi-scheme at the moment, which has in part come about because of the audit report and a review of whether the existing scheme is now fit for purpose considering the substantial changes in working practices over the last few years. The Service Director – Customers is not proposing to ask for the changes to reports to be implemented until that review	**In Progress**

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 (Last 12 months)	Status of Progress
		to Service Directors, to provide an overview of the flexi time system usage, compliance with policy and potential staff wellbeing issues.				has been completed and any revised scheme adopted. This will avoid wasting resources to change reports now and then having to do it again in a few months' time, bearing in mind that it is proposed to bring in any new scheme for 1 April 2020. **March 2020** - The unlocking procedure has been changed so that now a request to unlock a timesheet has to be made by the line manager and not the officer concerned. This ensures that line managers are immediately aware of a request to unlock and are better placed to deal with repeat occurrences. In terms of the reports, IT have confirmed that these can be amended and produced. Following a review of the current flexi-scheme, which in part came about because of the audit report, changes to the scheme were approved and relevant preparations are being made for these to be implemented from April 2020.	

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 (Last 12 months)	Status of Progress
						As part of these preparations, IT are currently rewriting the software to capture the changes agreed by the Leadership Team. As previously advised by the Service Director – Customers, the required changes to reports have been scheduled to coincide with the changes to the wider scheme. **Revised Target Date: 31 March 2020**	

APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Time Recording System **Final Report Issued**	Workforce Planning and Development **Final Report Issued**		Corporate Resilience **Final Report Issued**	General Data Protection Regulations **Final Report Issued**	Temporary Accommodation **Draft Report Issued**
Review of FAR **Final Report Issued**	Cyber Security **Final Report Issued**		Equality and Diversity **Final Report Issued**	~~Data Quality of Performance Information~~ **Cancelled**	
2018/19 Carry Forward Projects	Transparency Code **Final Report Issued**				

October	November	December	January	February	March
Integra 2 **Final Report Issued**	Budgetary Control **In Fieldwork**		Corporate Change Management **In Fieldwork**	~~Parking Strategy and Enforcement~~ **Cancelled**	
Treasury Management **Draft Report Issued**	Benefits **Draft Report Issued**		Trade Waste **In Fieldwork**	Insurance **In Fieldwork**	
Expenses **In Fieldwork**	Systems Access (Passwords) **Draft Report Issued**		Financial Resilience of Suppliers **Quality Review**	Development Management **In Fieldwork**	
SAFS Review **(moved from July)** **Quality Review**			King George V Playing Fields **Final Report Issued**	Careline Stock **Draft Report Issued**	

APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

			Revenues **(moved from November)** **Draft Report Issued**		
			Members Expenses Benchmarking **(moved from September)** **In Fieldwork**		
			Workman's Hall **Final Report Issued**		
			Herts Home Improvement Agency Follow Up **In Fieldwork**		

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2019/20

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	**Critical**		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.