



# **North Herts District Council**

## **Audit Committee Progress Report**

15 June 2020

### Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 18 May 2020, 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 Annual Audit Plan Progression for 2020/21
  - 2.8 Performance Management

## Appendices

- A Progress against the 2020/21 Audit Plan
  
- B Implementation Status of High Priority Recommendations
  
- C 2020/21 Audit Plan Start Dates Agreed with Management
  
- D Assurance and Finding Definitions 2020/21

# 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 2020/21 as at 18 May 2020.
  - b) Implementation status of previously agreed High priority audit recommendations and request to agree removal of completed actions.
  - c) Annual Audit Plan Progression for 2020/21.
  - d) An update on performance management information as at 18 May 2020.

## Background

- 1.2 The 2020/21 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 16 March 2020.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving feedback on the delivery of the 2020/21 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 18 May 2020, 8% of the 2020/21 Audit Plan days had been delivered.
- 2.2 The following 2019/20 final reports have been issued since 4 March 2020 (cut-off date for the SIAS Update Report for 16 March 2020 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Revenues	March 2020	Good	N/A
Benefits	March 2020	Satisfactory	One Medium, One Low Priority
Temporary Accommodation	March 2020	Good	N/A
Careline Stock	March 2020	Satisfactory	Two Medium, Three Low Priority

Systems Access - Passwords	March 2020	Satisfactory	Two Medium, One Low Priority
Expenses	April 2020	Satisfactory	Two Medium, One Low Priority
Members Expenses Benchmarking	April 2020	Not Assessed	N/A
Treasury Management	May 2020	Satisfactory	Four Low Priority
Corporate Change Management	May 2020	Satisfactory	Two Medium Priority

2.3 We have not yet issued any final reports relating to the 2020/21 Audit Plan. 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 No high priority recommendations have been made as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above.

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 yet implemented.

#### Annual Audit Plan Progression

2.7 While there have been no proposed amendments to the Annual Audit Plan, we have not been able to progress the Audit Plan as originally intended as a result of the Council's required response to Covid-19. Any resulting amendments to the Audit Plan will be incorporated in future progress reports.

#### Performance Management: Reporting of Audit Plan Delivery Progress

2.8 To help the Committee assess the current situation in terms of progress against the projects in the Audit Plan, we have provided an overall progress update at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

<b>Summary – 18 May 2020</b>			
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (25)</b>	<b>Profile to date</b>
Draft / Final Report Issued	1	5%	(1/25)
In Fieldwork / Quality Review	2	8%	(3/25)
Terms of Reference Issued / In Planning	0	0%	(2/25)
Not Yet Started	22	88%	(19/25)

- 2.9 Annual performance indicators and associated targets were approved by the SIAS Board in March 2020. As at 18 May 2020, actual performance for North Herts District Council 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 18 May 2020</b>	<b>Actual to 18 May 2020</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	15% (48 / 320 days)	8% (26.5 / 320 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	4% (1 / 25 projects)	4% (1 / 25 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	0 (No surveys issued)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	0 (No high priority recommendations made)

- 2.10 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2020/21 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 2020/21 AUDIT PLAN AS AT 18 MAY 2020**

**2020/21 SIAS Audit Plan**

<b>AUDITABLE AREA</b>	<b>LEVEL OF ASSURANCE</b>	<b>RECOMMENDATIONS</b>	<b>AUDIT PLAN DAYS</b>	<b>LEAD AUDITOR ASSIGNED</b>	<b>BILLABLE DAYS COMPLETED</b>	<b>STATUS / COMMENTS</b>
<b>Financial Systems Audits</b>						
Benefits			10	Not yet assigned	0	Not yet started
Integra (Financial System)			15	Not yet assigned	0	Not yet started
Payroll Processing			15	Not yet assigned	0	Not yet started
Revenues			15	Not yet assigned	0	Not yet started
Treasury Management			8	Not yet assigned	0	Not yet started
<b>Cross-Council Audits</b>						
Community Engagement			15	Not yet assigned	0	Not yet started
Performance Indicators			15	Not yet assigned	0	Not yet started
<b>Operational Audits</b>						
Anti-Social Behaviour			10	Not yet assigned	0	Not yet started
Climate Change and Sustainability			7	Not yet assigned	0	Not yet started
Commercial Strategy			15	Not yet assigned	0	Not yet started
Customer Services – Digitalisation			10	Not yet assigned	0	Not yet started
Corporate Debt Management Follow Up			2	Yes	1	In Fieldwork
Health and Safety of Out of Hours Workers			12	Not yet assigned	0	Not yet started
Housing Allocations			10	Not yet assigned	0	Not yet started
King George V Playing Fields and Workman’s Hall			1	Not yet assigned	0	Not yet started
Medium Term Financial			12	Not yet assigned	0	Not yet started

**APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 18 MAY 2020**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Strategy								
Parking Strategy and Enforcement					15	Not yet assigned	0	Not yet started
Review of FAR					5	Yes	3.5	In Fieldwork
Trade Waste					10	Not yet assigned	0	Not yet started
Waste Contract Follow Up					3	Not yet assigned	0	Not yet started
Workman’s Hall					1	Not yet assigned		Not yet started
<b>Contract Audits</b>								
Green Space Providers					12	Yes	11.5	Draft Report Issued
<b>Risk Management Audits</b>								
Risk Management Framework					12	Not yet assigned	0	Not yet started
<b>IT Audits</b>								
Disaster Recovery					12	Yes	0	Not yet started
IT Asset Management					15	Yes	0	Not yet started
<b>Shared Learning and Joint Reviews</b>								
Joint Reviews					2	Not yet assigned	0	Not yet started
Shared Learning					3	Not yet assigned	0	Not yet started
<b>Contingency</b>								
Contingency					2	Not yet assigned	0	As Required
<b>Client Management - Strategic Support</b>								
Head of Internal Audit Opinion 2019/20					3	Yes	2.5	In Progress
Audit Committee					8	Yes	0	Through Year

**APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 18 MAY 2020**

<b>AUDITABLE AREA</b>	<b>LEVEL OF ASSURANCE</b>	<b>RECOMMENDATIONS</b>			<b>AUDIT PLAN DAYS</b>	<b>LEAD AUDITOR ASSIGNED</b>	<b>BILLABLE DAYS COMPLETED</b>	<b>STATUS / COMMENTS</b>
Client Meetings					8	Yes	0	Through Year
Liaison with External Audit					1	Yes	0.5	Through Year
Progress Monitoring					10	Yes	0	Through Year
SIAS Development					5	Yes	5	Through Year
2021/22 Audit Planning					6	Yes	0	Through Year
Completion of outstanding 2019/20 projects					15	Yes	2.5	In Progress
<b>Total - North Herts D.C.</b>					<b>320</b>		<b>26.5</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 (Last 12 months)	Status of Progress
1.	Time Recording System (September 2019)	<p>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.</p> <p>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.</p> <p>In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented to Service Directors, to provide an overview of the</p>	<p>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.</p> <p>IT to develop functionality for reporting incomplete timesheets at the end of each four-week flexi period.</p>	Service Director (Customers)	31 December 2019	<p><b>September 2019</b> – not applicable</p> <p><b>November 2019</b> – 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 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.</p>	<b>Implemented</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 (Last 12 months)	Status of Progress
		flexi time system usage, compliance with policy and potential staff wellbeing issues.				<p><b>March 2020</b> - 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. 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.</p> <p><b>May 2020</b> - The unlocking procedure was changed so that a request to unlock a timesheet now has to be</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 (Last 12 months)	Status of Progress
						<p>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. 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 these will be implemented with effect from 18 May 2020. As part of the preparations, IT rewrote the software to capture the changes agreed by the Leadership Team and in terms of the reports, developed the required reporting functionality, which will continue to be refined and improved once the new system is used on a day-to-day basis. These required changes to reports were scheduled to coincide with the improvements to the wider scheme.</p> <p>The Service Director – Customers now considers this action to be complete, although as detailed in the commentary, the reporting functionality will continue to be refined as the system starts to be used on a regular basis and feedback is received from service directors and line managers.</p>	

**APPENDIX C – 2020/21 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**

<b>Quarter 1</b>	<b>Quarter 2</b>	<b>Quarter 3</b>	<b>Quarter 4</b>
Waste Contract F/U <b>Not Yet Started</b>	Customer Services	Integra	Climate Change and Sustainability
Debt Management F/U <b>In Fieldwork</b>	Commercial Strategy	Treasury Management	King George V Playing Fields
Review of FAR <b>In Fieldwork</b>	Anti-Social Behaviour	Payroll Processing	Workman’s Hall
Disaster Recovery <b>Not Yet Started</b>	Housing Allocations	Revenues	Trade Waste
Performance Indicators <b>Not Yet Started</b>	Health and Safety LW	Benefits	Parking Strategy and Enforcement
Green Space Providers <b>Draft Report Issued</b>	Community Engagement	Medium Term Financial Strategy	
2019/20 Projects Requiring Completion	Risk Management Framework	IT Asset Management	

**APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2020/21**

Assurance Level	Definition
<b>Good</b>	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.
<b>Satisfactory</b>	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
<b>Limited</b>	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.
<b>No</b>	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	<b>Critical</b>	 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	<b>High</b>	 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.
	<b>Medium</b>	 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.
	<b>Low</b>	 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.