North Herts District Council
Audit Committee Progress Report

7 September 2020

Recommendations

Members are recommended to:
- Note the Internal Audit Progress Report for the period to 21 August 2020, and
- Note the implementation status of High priority recommendations.

Contents

1. Introduction and Background

<u>Purpose of Report</u>

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 21 August 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 21 August 2020.

<u>Background</u>

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 second 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

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1　As at 21 August 2020, 23% of the 2020/21 Audit Plan days had been delivered.

2.2　The following 2019/20 final reports have been issued since 22 May 2020 (cut-off date for the SIAS Update Report for 8 June 2020 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Budgetary Control	June 2020	Good	4 Low
SAFS Review	May 2020	Good	3 Low
Insurance	June 2020	Satisfactory	1 Medium
Development Management	July 2020	Limited	2 High, 2 Medium, 1 Low

2.3   The following 2020/21 final reports have been issued since 22 May 2020 (cut-off date for the SIAS Update Report for 8 June 2020 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Debt Management Follow Up	June 2020	Not Assessed	N/A
Green Space Providers	June 2020	Good	None

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   We have made two high priority recommendations as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above. The two recommendations were raised as part of the Development Management audit completed.

2.6   The recommendations relate to ensuring compliance with GDPR regulations on the storage of personal information and to ensuring both the Uniform and Information at Work systems are utilised effectively to ensure a full audit trail is in place to support decisions made. The implementation status of these recommendations will be followed up and presented to the Audit Committee as per the arrangements outlined in paragraph 2.4. The first update from management is included in Appendix B.

2.7   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

2.8   At the start of the financial year, Council and SIAS resources were focused on responding to the COVID-19 pandemic. As a result, there have been some delays in progressing with 2020/21 audit plan (delays to the 2020/21 audit plans were experienced across all SIAS partners). As a result of the loss of available time to deliver the originally agreed plan, the SIAS Board agreed to a reduction in the total number of planned days across the partnership, this amounted to 28 days for North Herts District Council. As a result, the following changes were agreed with management and are proposed to this committee:

<u>Audit Cancellations and Adjustments to Plan Days</u>

a) Antisocial Behaviour Audit (10 days) – This audit was intended to start in quarter 2 but has been removed from the 2020/21 audit plan. The decision to remove this audit was based upon….

b) Shared Learning and Joint Reviews (5 days) – The allocation of plan days for Shared Learning and Joint Reviews has been removed from the audit plan.

c) Contingency (12 days) – The allocation of plan days for contingency purposes has been removed from the audit plan. The contingency includes 10 days which have been re-allocated from 2019/20 carry forward projects.

d) Progress Monitoring (1 day) – The allocation of plan days for progress monitoring has been reduced by 1 day in the audit plan. Therefore, the new proposed allocation is 9 days.

2.9   The impact of the above changes means that the total number of days to be delivered is 292 days, reduced from 320 as originally approved by this Committee in March 2020. In making the above changes, the planned audit projects have been safeguarded as far as possible to ensure that assurance opinions provided to the Council for this financial year are well informed.

<u>Performance Management: Reporting of Audit Plan Delivery Progress</u>

2.10   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.

Summary – 21 August 2020			
Status	No of Audits at this Stage	% of Total Audits (24)	Profile to date
Draft / Final Report Issued	3	13%	(5/24)
In Fieldwork / Quality Review	5	20%	(4/24)
Terms of Reference Issued / In Planning	4	17%	(2/24)
Not Yet Started	12	50%	(13/24)

2.11   Annual performance indicators and associated targets were approved by the SIAS Board in March 2020. As at 21 August 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 21 August 2020	Actual to 21 August 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	32% (92 / 292 days)	23% (68.5 / 292 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	21% (5 / 24 projects)	13% (3 / 24 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 out of 2 surveys issued have been returned)
4. Number of High Priority Audit Recommendations agreed	95%	95%	100%

2.12   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 21 AUGUST 2020

2020/21 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Financial Systems Audits									
Benefits						10	Yes	0	Not yet started
Integra (Financial System)						15	Yes	0	Not yet started
Payroll Processing						15	Yes	0	Not yet started
Revenues						15	Yes	0	Not yet started
Treasury Management						8	Yes	0	Not yet started
Cross-Council Audits									
Community Engagement						15	Yes	0	Not yet started
Performance Indicators						15	Yes	3.5	In Fieldwork
Operational Audits									
Anti-Social Behaviour						0	N/A	0	Cancelled
Climate Change and Sustainability						7	Yes	0	Not yet started
Commercial Strategy						15	Yes	2.5	In Fieldwork
Customer Services – Digitalisation						10	Yes	1.5	In Fieldwork
Corporate Debt Management Follow Up	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
Health and Safety of Out of Hours Workers						12	Yes	0.5	In Planning
Housing Allocations						10	Yes	1	In Planning
King George V Playing Fields						1	Yes	0	Not yet started
Medium Term Financial Strategy						12	Yes	0	Not yet started

APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 21 AUGUST 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Parking Strategy and Enforcement						15	Yes	0	Not yet started
Review of FAR						5	Yes	4.5	Draft Report Issued
Trade Waste						10	Yes	0	Not yet started
Waste Contract Follow Up						3	Yes	1	In Planning
Workman's Hall						1	Yes	0	Not yet started
Contract Audits									
Green Space Providers	Good	0	0	0	0	12	Yes	12	Final Report Issued
Risk Management Audits									
Risk Management Framework						12	Yes	3.5	In Fieldwork
IT Audits									
Disaster Recovery						12	Yes	10.5	In Fieldwork
IT Asset Management						15	Yes	0.5	In Planning
Shared Learning and Joint Reviews									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled
Contingency									
Contingency						0	N/A	0	Through Year
Client Management - Strategic Support									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete
Audit Committee						8	Yes	4	Through Year
Client Meetings						8	Yes	4	Through Year

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Liaison with External Audit						1	Yes	0.5	Through Year
Progress Monitoring						9	Yes	5	Through Year
SIAS Development						5	Yes	5	Through Year
2021/22 Audit Planning						6	Yes	0	Through Year
Completion of outstanding 2019/20 projects						5	Yes	4	In Progress
Total - North Herts D.C.						**292**		**68.5**	

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.	Development Management (July 2020)	At the earliest opportunity, management must ensure that all files which are no longer required to be kept are deleted from each system in accordance with the requirements set out in the document retention schedule. Additionally, management should implement an annual review process to ensure all required files are removed in a timely manner. In line with Information Commissioners Office (ICO) guidance, the Council should assess the level of risk to people's rights of the breach and consider whether a disclosure to the ICO is necessary.	Deletion of files where no breach was established in accordance with the Retention Schedule Deletion of remaining files in accordance with the Retention Schedule (taking account of any public register requirements) Formal assessment of risk re: DPA Review process implementation	Planning Control and Conservation Manager Technical Support Manager	By September 2020 By January 2021 31 August 2020 31 August 2020	**August 2020:** Recommendations on track for implementation by original target date.	**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
2.	Development Management (July 2020)	Management should ensure that Uniform records detail the reasons for any delays in the process and that all files are promptly closed following decisions made. Additionally, where inspection visits are considered unnecessary the rationale for this should be documented. Spot checks on closed files should be completed by the Planning Control and Conservation Manager on a quarterly basis to ascertain the levels of compliance with policy and implement corrective actions where necessary.	Internal protocol to be established together with monitoring regime and record keeping	Planning Control and Conservation Manager	30 September 2020	**August 2020:** Recommendations on track for implementation by original target date.	**In Progress**

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

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Debt Management F/U **Final Report Issued**	Customer Services **In Fieldwork**	Integra	Climate Change and Sustainability
Review of FAR **Draft Report Issued**	Commercial Strategy **In Fieldwork**	Treasury Management	King George V Playing Fields
Disaster Recovery **In Fieldwork**	Anti-Social Behaviour **Cancelled**	Payroll Processing	Workman's Hall
Performance Indicators **In Fieldwork**	Housing Allocations **In Planning**	Revenues	Trade Waste
Green Space Providers **Final Report Issued**	Health and Safety LW **In Planning**	Benefits	Parking Strategy and Enforcement
2019/20 Projects Requiring Completion	Risk Management Framework **In Fieldwork**	Medium Term Financial Strategy	Community Engagement (Moved from Q2)
	Waste Contract F/U (Moved from Q1) **In Planning**	IT Asset Management **In Planning**	

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2020/21

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.