



North Herts District Council

Audit Committee Progress Report

3 December 2020

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 18 November 2020, 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 2020/21 as at 18 November 2020.
 - b) Implementation status of previously agreed high priority recommendations.
 - c) Annual Audit Plan Progression for 2020/21.
 - d) An update on performance indicators as at 18 November 2020.
 - e) The Final Report for the Review of FAR audit completed.

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 third 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 November 2020, 61% of the 2020/21 Audit Plan days had been delivered.
- 2.2 The following 2020/21 final reports have been issued since 21 August 2020 (cut-off date for the SIAS Update Report for 7 September 2020 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
FAR Review	September 2020	Not Assessed	N/A
Recycling (19/20)	September 2020	Satisfactory	5 Medium, 3 Low
Disaster Recovery	October 2020	Satisfactory	3 Medium

Risk Management Framework	November 2020	Satisfactory	1 Medium, 3 Low
IT Asset Management	November 2020	Good	1 Low
Treasury Management	November 2020	Satisfactory	1 Medium, 1 Low
Performance Indicators	November 2020	Satisfactory	1 Medium, 2 Low
Housing Allocations	November 2020	Good	N/A

2.3 As part of the Annual Audit Plan, a review of the effectiveness of the FAR Committee was completed. The Final Report was issued to Members and has been added at Appendix E to this report for Members to note the outcome and report the actions advised in Section 4.

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 management response, target implementation date and the implementation status of the agreed high priority audit recommendations that are currently not yet implemented.

Proposed Amendments

2.6 At the request of management, the following changes have been made to the 2020/21 Annual Audit Plan in the period since the last FAR Committee:

- Community Engagement (15 days) – this audit has been **reduced to 10 days** in order to release days for the investigation below.
- Investigation (5 days) – this audit has been **added** to the plan. At the request of management, SIAS were commissioned to investigate part of a complaint received in relation to the award of a Community Facilities Capital Grant in May 2020. The outcome and report from the investigation is confidential, however any recommendations, including any action taken, will be reported as part of the Community Engagement audit.

Performance Management: Reporting of Audit Plan Delivery Progress

2.7 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 – 18 November 2020			
Status	No of Audits at this Stage	% of Total Audits (24)	Profile
Draft / Final Report Issued	12	50%	(13/24)
In Fieldwork / Quality Review	3	13%	(5/24)
Terms of Reference Issued / In Planning	3	13%	(0/24)
Not Yet Started	6	24%	(6/24)

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2020. As at 18 November 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 18 November 2020	Actual to 18 November 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	65% (190 / 292 days)	61% (179/ 292 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	54% (13 / 24 projects)	50% (12 / 24 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (8 issued, 5 returned – all returned satisfactory)
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (2 recommendations)

2.9 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 13 NOVEMBER 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	0.5	In Planning
Integra (Financial System)						15	Yes	0.5	In Planning
Payroll Processing						15	Yes	8	In Fieldwork
Revenues						15	Yes	4	In Fieldwork
Treasury Management	Satisfactory	0	0	1	1	8	Yes	8	Final Report Issued
Cross-Council Audits									
Community Engagement						10	Yes	0	Not yet started
Performance Indicators	Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
Operational Audits									
Anti-Social Behaviour						0	N/A	0	Cancelled
Climate Change and Sustainability						7	Yes	0	Not yet started
Commercial Strategy						15	Yes	14.5	Draft Report Issued
Customer Services – Digitalisation						10	Yes	9.5	Draft Report Issued
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	Good	0	0	0	0	10	Yes	10	Final Report Issued
King George V Playing Fields						1	Yes	0	Not yet started
Medium Term Financial Strategy						12	Yes	11	Quality Review

APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 13 NOVEMBER 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	No	0	Not yet started
Review of FAR	Not Assessed					5	Yes	5	Final Report Issued
Trade Waste						10	Yes	0	Not yet started
Waste Contract Follow Up						3	Yes	2.5	Draft Report Issued
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	Satisfactory	0	0	1	3	12	Yes	12	Final Report Issued
IT Audits									
Disaster Recovery	Satisfactory	0	0	3	0	12	Yes	12	Final Report Issued
IT Asset Management	Good	0	0	0	0	15	Yes	15	Final Report Issued
Shared Learning and Joint Reviews									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled
Investigations									
Investigation						5	Yes	5	Completed
Contingency									
Contingency						0	N/A	0	Through Year
Client Management - Strategic Support									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete

APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 13 NOVEMBER 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Audit Committee						8	Yes	6	Through Year
Client Meetings						8	Yes	6	Through Year
Liaison with External Audit						1	Yes	0.5	Through Year
Progress Monitoring						9	Yes	7.5	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.		0	0	6	6	292		179	

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)	<p>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.</p> <p>Additionally, management should implement an annual review process to ensure all required files are removed in a timely manner.</p> <p>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.</p>	<p>Deletion of files where no breach was established in accordance with the Retention Schedule</p> <p>Deletion of remaining files in accordance with the Retention Schedule (taking account of any public register requirements)</p> <p>Formal assessment of risk re: DPA</p> <p>Review process implementation</p>	<p>Planning Control and Conservation Manager</p> <p>Technical Support Manager</p>	<p>By September 2020</p> <p>By January 2021</p> <p>31 August 2020</p> <p>31 August 2020</p>	<p>August 2020: Recommendations on track for implementation by original target date.</p> <p>November 2020: The following will be completed/ongoing by January 2021 in line with the retention schedule:</p> <ul style="list-style-type: none"> - Applications and documents are being deleted 3 years after any decision made not to enforce. - Applications and documents are being deleted 6 years after the compliance with any enforcement notice. The notice will be retained as per planning legislation. - Review process to be implemented, and guidance notes on deletion of files outside of retention schedules to be agreed/written. It is anticipated that this will 	In Progress

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						<p>be an automatic process going forward.</p> <p>In progress, with only high hedge complaints remaining to be agreed. We agreed that all complaints that did not result in a notice will be deleted after 3 years in accordance with the wider enforcement case retention schedule.</p> <p>The need to disclose the breach to the ICO was referred to Service Director (Customers), although given the security of data and the low risk of a complaint, this was not expected to be required.</p>	
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	Internal protocol to be established together with monitoring regime and record keeping	Planning Control and Conservation Manager	30 September 2020	<p>August 2020: Recommendations on track for implementation by original target date.</p> <p>November 2020:</p>	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
		<p>following decisions made. Additionally, where inspection visits are considered unnecessary the rationale for this should be documented.</p> <p>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.</p>				<p>The findings of the audit report were considered and various improvements have been developed/implemented (e.g. a schedule of quarterly checks, S106 monitoring updated from an excel spreadsheet system to a bespoke module within Uniform, automatically generated monitoring reports set up in the new system, new closure request system, reasons for no site visit being added to closure reports and checked by the officer closing the file). The quarterly spot-check management system for completed files is being finalised and will commence from January 2021.</p>	

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

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.