INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE
MARCH 2021

RECOMMENDATIONs

- Note the Internal Audit Progress Report for the period to 12 February 2021,
- 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 Internal Audit Plan for 2020/21 as at 12 February 2021.
b) Implementation status of previously agreed high priority recommendations.
c) Annual Internal Audit Plan Progression for 2020/21.
d) An update on performance indicators as at 12 February 2021.

Background

1.2 The 2020/21 Internal 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 fourth, and final, 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 12 February 2021, 85% of the 2020/21 Audit Plan days had been delivered.

2.2 The following 2020/21 final reports have been issued since 18 November 2020 (cut-off date for the SIAS Update Report for 8 December 2020 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Customer Services	November 2020	Good	1 Medium
Financial Resilience of Suppliers 19/20	January 2021	Limited	3 High, 1 Medium
Payroll Processing	January 2021	Good	1 Low

Medium Term Financial Strategy	February 2021	Satisfactory	3 Medium

High Priority Recommendations

2.3 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.

2.4 We have made three high priority recommendations as a result of the work undertaken in the audits detailed in paragraph 2.2 above. The three recommendations were raised as part of the Financial Resilience of Suppliers audit completed. The details of the recommendations have been outlined in Appendix B. All implemented recommendations will removed for the next committee cycle.

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 There have been no amendments to the audit plan since the last committee meeting in December 2020.

2.7 The title of the Parking Strategy and Enforcement audit has changed titles to reflect the scope of the work. This project is now titled Parking Income. This change was agreed with management as a result of the impact of COVID-19 on progress of the Parking Strategy which deemed the planned audit to be too early to adequately assess the governance, control framework and risks relating to the Parking Services.

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 of delivery against planned commencement dates at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits (24)	Profile
Draft / Final Report Issued	16	67%	(20/24)
In Fieldwork / Quality Review	8	33%	(4/24)

Terms of Reference Issued / In Planning	0	0%	(0/24)
Not Yet Started	0	0%	(0/24)

2.9 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 12 February 2021	Actual to 12 February 2021
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	91% (266 / 292 days)	86% (250 / 292 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	83% (20 / 24 projects)	67% (16 / 24 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (11 issued, 9 returned – all returned satisfactory)
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (5 recommendations)

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 12 FEBRUARY 2021

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	8.5	In Fieldwork
Integra (Financial System)						15	Yes	12	In Fieldwork
Payroll Processing	Good	0	0	0	1	15	Yes	15	Final Report Issued
Revenues						15	Yes	11	In Fieldwork
Treasury Management	Satisfactory	0	0	1	1	8	Yes	8	Final Report Issued
Cross-Council Audits									
Community Engagement						10	Yes	4	In Fieldwork
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	3.5	In Fieldwork
Commercial Strategy						15	Yes	14.5	Draft Report Issued
Customer Services – Digitalisation	Good	0	0	1	0	10	Yes	10	Final 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	6	In Fieldwork
Housing Allocations	Good	0	0	0	0	10	Yes	10	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
Medium Term Financial Strategy	Satisfactory	0	0	3	0	12	Yes	12	Final Report Issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Parking Income						15	No	5.5	In Fieldwork
Review of FAR	Not Assessed					5	Yes	5	Final Report Issued
Trade Waste						10	Yes	2.5	In Fieldwork
Waste Contract Follow Up						3	Yes	2.5	Draft Report Issued
Workman's Hall	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
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	1	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
Audit Committee						8	Yes	8	Through Year

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Client Meetings						8	Yes	8	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Progress Monitoring						9	Yes	9	Through Year
SIAS Development						5	Yes	5	Through Year
2021/22 Audit Planning						6	Yes	6	Through Year
Completion of outstanding 2019/20 projects						5	Yes	5	In Progress
Total - North Herts D.C.		**0**	**0**	**10**	**8**	**292**		**250**	

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. **November 2020:** The following will be completed/ongoing by January 2021 in line with the retention schedule: - 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	**Implemented**

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						be an automatic process going forward. 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. 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. **February 2021:** Recommendation now fully implemented.	
2.			Internal protocol to be established together with	Planning Control and	30 September 2020	**August 2020:** Recommendations on	**Implemented**

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
	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.	monitoring regime and record keeping	Conservation Manager		track for implementation by original target date. **November 2020:** 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.	

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
						February 2021: Recommendation now fully implemented.	
3	Financial Resilience of Suppliers (January 2021)	a) The Guide to Contract and Relationship Management should be updated, recording the next review date. b) Regular review meetings with suppliers should be conducted to assess the contractor compliance with contract and delivery standards and to identify and rectify any performance issues. We recommend that annual and at least quarterly review meetings to be conducted for non-core and core contracts respectively in line with best practice. Contract Managers should ensure that discussions and agreed actions are	We are currently updating the Guide to Contract and Relationship Management, including the removal of the use of terminology 'core and non-core contracts'. The core terminology will be applied to contracts with an annual spend of £50k and above, Non-core contracts will be changed to applying to contracts where the spend is under £50k per annum. We are content with the frequency recommendations. The recommendation for quarterly review meetings will be applicable to the contracts that meet the financial threshold set out above and the annual review meetings for those that do not.	a) Procurement Officer b) Contract Managers	a) September 2020 b) October 2020	**February 2021:** The regular meetings are not required for all contracts and the updated guidance will reflect this to ensure that the reviews are appropriate in the circumstances. It is accepted that there will need to be a periodic review for all core contracts over £50k, which again will be reflected in the updated guidance. The risk and insurance checker has been updated, which assists in determining the frequency of contract reviews. Current estimate is that the work to fully implement the recommendation will be completed in March	**In Progress**

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		recorded and stored electronically.				2021.	
4	Financial Resilience of Suppliers (January 2021)	a) The rapid risk and insurance checker should be completed for all contracts over £50k in value before appointing the supplier in line with best practice. This should be retained in the contract file along with the copies of the signed contract and financial due diligence documents as recommended in finding 1 b) The risk and insurance checker should be periodically (we recommend annually) reviewed to ensure that the initial assessment of risk is still valid.	We are currently updating the Guide to Contract and Relationship Management, including the removal of the use of terminology 'core and non-core contracts'. The risk and insurance checker should only be required for contracts over the £50k threshold in accordance with our contract and procurement rules.	Contract Managers	a) September 2020 b) April 2021	**February 2021:** In order to ensure compliance with this, we have worked this into the form which is entitled "Contract details to be included on the contract register" which is saved on the Intranet. Contract Managers have to confirm that the risk and insurance checker tool has been completed and uploaded when completing a contract. This step ensures this is complied with. This recommendation is completed.	**Implemented**
5	Financial Resilience of Suppliers (January 2021)	a) All core contracts should have a business continuity plan in place to ensure continued delivery of statutory services. The plan should include key information around actions	We are currently updating the Guide to Contract and Relationship Management, including the removal of the use of terminology 'core and non-core contracts'. The requirements currently assigned to 'core'	a) Contract Managers b) Contract Managers & Procurement Officer	a) September 2020 b) Subject to spot checks October 2020	**February 2021:** We intend to tackle (a) the same way in which we have looked to tackle the "Contract Monitoring (Strategy and Assurance Frameworks)"	**In Progress**

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		staff should take in case of a contractor failure. b) Contract Managers should ensure that insurance cover is maintained throughout the term of the contract. Annual updated certificates should be requested from the supplier and the Contract Managers should provide a confirmation to the Procurement Team regarding the obtained insurance certificates on an annual basis.	contracts, will now apply to any contracts where the spend per annum is over £50k.			recommendation, by updating the risk and insurance checker tool, which once amended will determine whether a business continuity plan is required and to what extent it needs to go. We also noted that the guide should be updated to explain that sometimes a business continuity plan does not need to be complex and in some circumstances it may be appropriate for there to be just a few explanatory lines setting out the fact there will not in fact be an impact on the service at all and therefore further planning is not required. In relation to (b), as InTend allows Contract Managers to upload insurance certificates on to the system, we have now built a procedure in place ensuring Contract Managers upload the	

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
						certificates and utilise InTend to diarise annual reminders. Additionally, in order to ensure compliance with obtaining and uploading the insurance certificate, we have worked this into the form which is entitled “Contract details to be included on the contract register” which is saved on the Intranet. Contract Managers have to confirm that they have obtained and uploaded this and this step ensures compliance. Part (b) of this recommendation has been completed. Current estimate is that the work to fully implement the recommendation will be completed by March 2021.	

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

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.