



North Herts District Council Audit Committee Progress Report 21 March 2018

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 2 March 2018,
- Note the proposed amendments to the 2017/18 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 Medium Priority Recommendations
 - 2.5 High Priority Recommendations
 - 2.8 Proposed Amendments to the 2017/18 Annual Audit Plan
 - 2.11 Performance Management

Appendices

- A Progress against the 2017/18 Audit Plan

- B Implementation Status of High Priority Recommendations

- C 2017/18 Audit Plan Items – Start dates agreed with management

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 2017/18 as at 2 March 2018.
 - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
 - c) Proposed amendments to the 2017/18 Annual Audit report
 - d) An update on performance management information as at 2 March 2018.

Background

- 1.2 The 2017/18 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 22 March 2017.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the fourth report giving feedback on the delivery of the 2017/18 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 2 March 2018, 83% of the 2017/18 Audit Plan days had been delivered.
- 2.2 The following 2017/18 final reports have been issued since 1 December 2017 (cut-off date for the SIAS Update Report for 18 December 2017 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Member Training	March 2018	N/A	N/A (consultancy review)
Cyber Security	March 2018	Moderate	1 High, 3 Medium and 2 Merits Attention

Council Tax	February 2018	Substantial	1 Merits Attention
NDR	February 2018	Full	None
Payroll	January 2018	Substantial	1 Medium, 2 Merits Attention
New Integra Implementation	January 2018	N/A	N/A (consultancy review with no actions)
Tree Management and Strategy	January 2018	Moderate	2 Medium, 4 Merits Attention
Taxi Licensing	January 2018	Substantial	2 Medium, 2 Merits Attention
Telephony System – Post Implementation Review	January 2018	Substantial	1 Merits Attention

2.3 Details on the status of all audits in this year's plan can be found in Appendix A.

Medium Priority Recommendations

2.4 The table below provides a summary of the medium priority recommendations made in the period:

Audit	Summary of medium priority recommendations
Cyber Security	<ul style="list-style-type: none"> • The Council's Information Asset Register is not sufficiently detailed and responsibilities of information asset owners have not been defined. • Members of staff are not provided with appropriate cyber security training and the Council has not undertaken a training needs analysis. • There is not a documented record of the Council's firewall rules or the reasons for which they have been put in place.
Payroll	<ul style="list-style-type: none"> • Compliance with Working Time Regulations
Tree Management	<ul style="list-style-type: none"> • Identification and record keeping of trees in Estates • Identification and record keeping of trees in Leisure
Taxi Licensing	<ul style="list-style-type: none"> • Vehicle licence plates and driver ID badges secure storage arrangements • Disposal of data no longer needed

High Priority Recommendations

2.5 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.

2.6 We have made one high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above. This recommendation relates to the following:

- **Cyber Security Incident Management** – The Council does not have defined procedures in place for responding to cyber security incidents.

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 recommendation.

Proposed Amendments to the 2017/18 Annual Audit Plan

2.8 At the request of management, the following audits have been cancelled and the remaining time budgets returned to contingency:

- Outbound Mail – New System - this audit has been cancelled as the implementation of the new system is not progressing as fast as originally envisaged. However, this audit has been included as part of the 2018/19 draft annual audit plan.
- Joint Review 2 – as agreed by the SIAS Board.

2.9 As a result of the above, contingency in the 2017/18 Annual Audit Plan for the Council currently stands at 18 days.

2.10 At the request of management, the following two audits have been added to the audit plan, with the time being taken from contingency:

- Fees and Charging Benchmarking (5 days)
- Monitoring Officer Review (5 days)

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 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 – 2 March 2018		
Status	No of Audits at this Stage	% of Total Audits (36)
Draft / Final	25	69%
Currently in Progress	11	31%
Start Date Agreed	0	0%
Yet to be planned	0	0%

Deferred	0
Cancelled	4

2.12 Annual performance indicators and associated targets were approved by the SIAS Board in March 2017.

2.13 As at 2 March 2018, actual performance for North Herts against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 2 March 2018	Actual to 2 March 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	85% (324.5 / 382 days)	83% (316.5 / 382 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	78% (27 / 36 projects)	69% (25 / 36 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (18 questionnaires sent and 12 returned)
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 2017/18 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. 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.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 MARCH 2018

2017/18 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Key Financial Systems								
General Ledger					10	Yes	6.5	In Fieldwork
Debtors					10	Yes	1	In Fieldwork
Creditors					10	Yes	1.5	In Fieldwork
Treasury Management					6	Yes	5	Quality Review
Council Tax	Substantial	0	0	1	12	Yes	12	Final Report Issued
NDR	Full	0	0	0	10	Yes	10	Final Report Issued
Benefits & Rent Allowances					10	Yes	9	Quality Review
Payroll	Substantial	0	1	2	10	Yes	10	Final Report Issued
New Integra system implementation - consultancy	Not assessed	0	0	0	10	Yes	10	Final Report Issued
Operational Audits								
Business Improvement Districts (BIDs)					10	Yes	9.5	Draft Report Issued
Office Accommodation Project	Substantial	0	2	2	14	Yes	14	Final Report Issued
HTH & Museum - operation	Moderate	0	4	2	14	Yes	14	Final Report Issued
Tree Strategy & Management	Moderate	0	2	4	12	Yes	12	Final Report Issued
Taxi Licensing	Substantial	0	2	2	12	Yes	12	Final Report Issued
Income Generation	Not assessed	0	0	0	15	Yes	15	Final Report Issued
Commercialisation / Council Company					12	Yes	2	In Fieldwork
Paperless Committee System					10	Yes	9.5	Draft Report Issued

APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 MARCH 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Telephony System - post implementation review	Substantial	0	0	1	10	Yes	10	Final Report Issued
Outbound mail - new system					10	Yes		Audit Cancelled
Member Training					10	Yes	9.5	Draft Report Issued
Fees and Charging Benchmarking					5	Yes	3	In Fieldwork
Procurement / Contracts								
NHLC Refurbishment					12	Yes	3	In Fieldwork
Waste Contract - new arrangements progress					10	Yes	1	In Planning
Northgate Contracts					12	Yes	11.5	Draft Report Issued
Serious and Organised Crime Agency (SOCA) Fraud Checklist	Not assessed	0	0	0	10	Yes	10	Final Report Issued
Joint Reviews								
Joint Review 1					2.5	No		Allocated
Joint Review 2					2.5	No		Audit Cancelled
Shared Learning					5	Yes	5	Through Year
IT Audits								
Cyber-risks	Moderate	1	3	2	10	Yes	10	Final Report Issued
Asset Management System					0	N/A		Cancelled
Anti-Fraud and Governance								
Internal control issues identified by SAFS					5	N/A	5	As required

APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 MARCH 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Contingency & Ad Hoc Activity								
Contingency & Ad Hoc Activity					18			
Election Support					0	N/A		Cancelled
Review of FAR	Not assessed	0	0	0	3	Yes	3	Final Report Issued
DFG Capital Grant certification	Not assessed	0	0	0	2	Yes	2	Complete
King George V Playing Fields	Not assessed	0	0	0	1	Yes	1	Final Report Issued
Monitoring Officer Review	Not assessed	0	0	0	5	Yes	5	Final Report Issued
Strategic Support								
Head of Internal Audit Opinion 2016/17					5	Yes	5	Complete
Audit Committee					12	Yes	12	Through Year
Client Meetings					10	Yes	9	Through Year
Liaison with External Audit					1	Yes	1	Through Year
Progress Monitoring					10	Yes	9	Through Year
SIAS Development					5	Yes	5	Through Year
2018/19 Audit Planning					10	Yes	10	Allocated
2016/17 Projects requiring completion					2	Yes	2	Complete
HTH & Museum Project					11	Yes	10.5	Draft Report Issued
Careline Operation	Substantial	0	3	1	12.5	Yes	12.5	Final Report Issued

APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 2 MARCH 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Appraisal Process	Full	0	0	0	7.5	Yes	7.5	Final Report Issued
Green Space Strategy					0.5	N/A	0.5	Cancelled
Use of Consultants	Substantial	0	0	3	5		5	Final Report Issued
Joint Review - Local Authority Trading					0.5	Yes		In Fieldwork
Joint Review - PREVENT	Not assessed	0	0	0	0.5		0.5	Final Report Issued
Corporate Project Management	Moderate	0	3	1				Final Report Issued
Contract Management	Substantial	0	1	2				Final Report Issued
Payroll	Substantial	0	3	1				Final Report Issued
NDR	Full	0	0	0				Final Report Issued
Total - North Herts D.C.		1	24	24	400		316.5	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	SIAS Comment March 2018	Status of Progress
1.	Cyber Security (March 2018)	<p>We recommend that management define the Council’s cyber security incident management procedure, which should include but not be limited to:</p> <ul style="list-style-type: none"> • The procedures for confirming and validating cyber security incidents • The actions to be taken by members of staff in the event of a cyber attack occurring • The responsibilities of cyber security incident handlers • The actions to be taken to recover a service or services following a cyber attack 	<p>The current practices for addressing cyber security incidents will be documented and put into a defined procedure, which will address the requirements of this recommendation.</p>	IT Technical Services Manager (Cyber Security)	31 May 2018	N/A – new recommendation	N/A	Implementation date not yet reached.

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	SIAS Comment March 2018	Status of Progress
		<ul style="list-style-type: none"> • The contact details for all relevant members of staff and any third parties involved • The arrangements for identifying lessons learned and reporting on cyber security incidents. <p>The defined procedure should be approved and made available to all relevant members of staff.</p>						

NHDC 2017/18 Audit Plan Start Months											
Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
SOCA Fraud Checklist Final Report Issued	Office Accommodation Project Final Report Issued	RPR Process (16/17) Final Report Issued	Telephony System Post implementation review Final Report Issued	DFG certification Completed	Commercialisation / Council company Moved to December	NHLC Refurbishment Moved to January	Payroll Final Report Issued	Benefits Moved to January	Outbound-mail system Cancelled	Waste Contract In Planning	Waste Contract Moved to February
Review of FAR Completed	Income Generation Final Report Issued	Cyber-risks Moved to December	Northgate Contracts Draft Report Issued	Integra system implementation Final Report Issued		General Ledger Moved to February	NDR Final Report Issued	Treasury Management Quality Review	Asset Management system Cancelled	General Ledger In Fieldwork	Debtors In Fieldwork
Paperless committee system Moved to November	HTH & Museum operation Final Report Issued		Business Improvement Districts Draft Report Issued	Member Training Draft Report Issued		Debtors Moved to March	Council Tax Final Report Issued	King George V Playing field Final Report Issued	Joint Reviews (1)	Monitoring Officer Review Final Report Issued	Creditors In Fieldwork
Member Training Moved to August						Creditors Moved to March	Taxi Licensing Final Report Issued	Commercialisation / Council company In Fieldwork	NHLC Refurbishment In Fieldwork		
Joint Review – PREVENT (16/17) Final Report Issued							Tree Strategy & Management Final Report Issued	Cyber Risks Final Report Issued	Benefits Quality Review		
Joint Review – Local Authority Trading (16/17) In Fieldwork							Paperless committee system Draft Report Issued		Fees and Charging Benchmarking In Fieldwork		

Careline (16/17) Final Report Issued											
Hitchin Town Hall Project (16/17) Draft Report Issued											
Consultants (16/17) Final Report Issued											
Green Space (16/17) Cancelled											