



## **North Herts District Council** Audit Committee Progress Report

24 September 2018

### Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 7 September 2018,
- Note the proposed amendments to the 2018/19 Annual Audit Plan, 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 2018/19 as at 7 September 2018.
  - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
  - c) Proposed amendments to the 2018/19 Annual Audit report
  - d) An update on performance management information as at 7 September 2018.

## Background

- 1.2 The 2018/19 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2018.
- 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 2018/19 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 The following final reports (all from the 2018/19 audit plan unless indicated) have been issued since 5 June 2018 (cut-off date for the SIAS Update Report for 18 June 2018 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Health and Safety	June 2018	Good	1 Low
General Data Protection Regulations	July 2018	Satisfactory	4 Medium
Hitchin Town Hall and Museum – Project*	August 2018	Satisfactory	1 Medium, 3 Low
Original Documentation Review	August 2018	Not Assessed	N/a
CCTV	August 2018	Limited	9 High

\* carry forward audit from 2016/17.

- 2.2 The CCTV audit was included as a full audit in the 2018/19 Annual Audit Plan for Stevenage Borough Council as the lead authority, with a supporting contribution of days from North Herts District Council, East Herts Council and Hertsmere Borough Council as members of the CCTV Partnership. Nine high priority recommendations were made in the CCTV audit relating to the following areas:
- a) Confirmation of the governance framework and the roles and responsibilities,
  - b) Establishment of a current Partnership Agreement,
  - c) Review of the terms of the Company Shareholders' Agreement,
  - d) Review/establishment of all Terms of Reference,
  - e) Review of Partner Authority Constitutions,
  - f) Establishment of a current five year Business Plan (18/19-22/23),
  - g) Review of financial management,
  - h) Review of performance monitoring, and
  - i) Review of the calculation and application of charges to Partner Authorities.
- 2.3 We have not included the high priority recommendations from the CCTV audit at paragraph 2.7 and Appendix B below as they are owned and monitored by Stevenage Borough Council and their Audit Committee.
- 2.4 In addition, the CCTV final audit report is being presented to the Joint Executive Committee (JEC) of the CCTV Partnership in October 2018. The JEC is made up of officers and Members from all partner authorities and will provide additional oversight and monitoring that the recommendations are progressing towards implementation. An overview and update of the implementation status of the recommendations can also be provided to the Finance, Audit and Risk Committee to ensure that it too has sufficient assurance in this regard.
- 2.5 Details on the status of all audits in this year's plan can be found in Appendix A.

#### High Priority Recommendations

- 2.6 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.
- 2.7 We have not made any new high priority recommendation, other than those from the CCTV audit, as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above.

## Medium Priority Recommendations

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

<b>Audit</b>	<b>Summary of medium priority recommendations</b>
General Data Protection Regulations	<p>a) <b>Information Asset Register</b> – The findings from the information audit undertaken across the Council have not been collected into a complete information asset register.</p> <p>b) <b>Explicit Consent</b> – The Council does not have a procedure for obtaining and recording the explicit consent for its Cultural Services to process personal information.</p> <p>c) <b>Data Subject Requests</b> – The procedures for responding to data subject requests have not been updated to reflect the changes introduced under the GDPR.</p> <p>d) <b>Data Protection Officer</b> – The Council has not documented how it will maintain the independence of the Data Protection Officer or provide sufficient resources to allow them to fulfil their responsibilities.</p>
Hitchin Town Hall and Museum - Project	<b>Communications Plan</b> – The availability of a communications plan for the Hitchin Town Hall and Museum project.

## Proposed Amendments

2.9 At the request of management, the following audit has been cancelled and the remaining time budget has been moved to contingency:

- Election Support (2 days) – this audit has been cancelled as the support was not required during the election.

2.10 At the request of management, the following audit has been merged with the remaining time budget being moved to the primary Waste Contract – Client Services audit:

- Waste Contract – Green Waste Charging (6 days) – this audit has been merged with the later audit as officer availability is limited at this time. The scope of this audit will be completed as part of the wider Waste Contract – Client Services review due to commence in January 2019.

- 2.11 As a result of the above, contingency in the 2018/19 Annual Audit Plan for the Council currently stands at 13 days.
- 2.12 There have been no audits added to the 2018/19 Annual Audit Plan in the period since the last FAR Committee.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.13 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 – 7 September 2018</b>			
<b>Status</b>	<b>No of audits at this stage</b>	<b>% of total audits (32)</b>	<b>Profile to date</b>
Draft / Final Report Issued	7	22%	31% (10/32)
In Fieldwork / Quality Review	5	16%	6% (2/32)
Terms of Reference Issued / In Planning	5	16%	13% (4/32)
Yet to be planned / Allocated	15	46%	50% (16/32)

Deferred	0
Cancelled from the plan	2

- 2.14 Annual performance indicators and associated targets were approved by the SIAS Board in March 2018.
- 2.15 As at 7 September 2018, actual performance for North Herts 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 7 September 2018</b>	<b>Actual to 7 September 2018</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	35% (123 / 347 days)	33% (113 / 347 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	31% (10 / 32 projects)	22% (7 / 32 projects)

<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100% (3 surveys returned)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	N/A – No high priority recommendations made

2.16 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2018/19 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 2018/19 AUDIT PLAN AS AT 7 SEPTEMBER 2018**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
<b>Key Financial Systems</b>									
Integra 2 – General Ledger, Debtors and Creditors						25	Yes	0.5	Allocated
Corporate Debt Management						15	Yes	0.5	Allocated
Treasury Management						6	Yes		Allocated
Council Tax						10	Yes		Allocated
NDR						10	Yes		Allocated
Benefits & Rent Allowances						10	Yes		Allocated
Payroll						8	Yes		Allocated
<b>Operational Audits</b>									
Green Space Strategy Management						10	Yes	0.5	In Planning
S106						10	Yes	9	Quality Review
Crematorium						10	Yes	0.5	In Planning
Museum Services						10	Yes	9.5	Draft Report Issued
Learning Management System						10	Yes		Allocated
Overtime and Expenses						12	Yes	11	Quality Review
Apprenticeship Levy						10	Yes	2	ToR Issued
Homelessness Reduction Act						12	Yes	2	ToR Issued
General Data Protection Regulations	Satisfactory	0	0	4	0	15	Yes	15	Final Report Issued
Careline Alarm Receiving Centre Relocation	Good	0	0	0	2	6	Yes	6	Final Report Issued



**APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 7 SEPTEMBER 2018**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Home Improvement Agency						2	Yes	1.5	In Fieldwork
Original Documentation – Consultancy Review	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
Capital Programme						10	Yes	1	ToR Issued
Health and Safety	Good	0	0	0	1	6	Yes	6	Final Report Issued
CCTV	Limited	0	9*	0	0	2	Yes	2	Final Report Issued
<b>Procurement / Contracts</b>									
Waste Contract – Client Services						10	Yes		Allocated
Markets – Contract Management						5	Yes		Allocated
Outbound Mail Contract						10	Yes		Allocated
Property Compliance Contract						10	Yes		Allocated
<b>Corporate Governance</b>									
Corporate Governance						12	Yes		Allocated
<b>IT Audits</b>									
Software Licence Management						12	Yes	11	Quality Review
PSN Accreditation						12	Yes		Allocated
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						2			
Shared Learning						3		1.5	Through Year
<b>Contingency &amp; Ad Hoc Activity</b>									
Contingency						13			As Required

**APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 7 SEPTEMBER 2018**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Election Support						0			Cancelled
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
DFG Capital Grant certification						2	Yes	1.5	Quality Review
King George V Playing Fields						1	Yes		Allocated
<b>Strategic Support</b>									
Head of Internal Audit Opinion 2016/17						3	Yes	3	Complete
Audit Committee						10	Yes	5	Through Year
Client Meetings						8	Yes	4	Through Year
Liaison with External Audit						1	Yes		Through Year
Progress Monitoring						10	Yes	5	Through Year
SIAS Development						5	Yes	5	Through Year
2018/19 Audit Planning						6	Yes		Through Year
<b>2017/18 Projects requiring completion</b>									
Commercialisation						1	Yes	1	Cancelled
Waste Contract – Green Waste Charging						9	Yes	3	Cancelled – merged with Waste Contract audit
Finalisation of Projects						1	Yes	1	Complete
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>360</b>		<b>113</b>	

\* - High priority recommendations from the CCTV review have not been included in the overall total number of recommendations as these are owned by Stevenage Borough Council (lead authority for the audit) and are monitored by the CCTV Committee.

## **APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**





No high priority recommendations remain outstanding.

**APPENDIX C – 2018/19 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**

April	May	June	July	August	September
Review of FAR <b>Final Report Issued</b>	Museum Service <b>Draft Report Issued</b>	Original Documentation – Consultancy Review <b>Final Report Issued</b>	S106 <b>Quality Review</b>	Waste Contract – Green Waste Charging 17/18 <b>Merged with Waste Contract – Client Services</b>	Green Space Strategy Management – deferred from August <b>In Planning</b>
Careline Disaster Recovery <b>Final Report Issued</b>	Overtime and Expenses <b>Quality Review</b>		Software Licence Management <b>Quality Review</b>	DFG Grant Certification <b>Quality Review</b>	Apprenticeship Levy <b>ToR Issued</b>
CCTV <b>Final Report Issued</b>	Health and Safety – Fire Evacuation Arrangements <b>Final Report Issued</b>			Home Improvement Agency <b>In Fieldwork</b>	Homelessness Reduction Act <b>ToR Issued</b>
Commercialisation 17/18 <b>Cancelled</b>	General Data Protection Regulations – deferred from April <b>Final Report Issued</b>				Property Compliance Contract
October	November	December	January	February	March
Integra 2 – General Ledger, Debtors and Creditors	Council Tax	Treasury Management	Waste Contract – Client Services	Learning Management System	
Corporate Debt Management	NDR	Payroll	King George V Playing Fields	Markets – Contract Management	
PSN Accreditation	Benefits	Outbound Mail Contract		Corporate Governance	
Crematorium – deferred from September <b>In Planning</b>					
Capital Programme – moved from January <b>ToR Issued</b>					

**APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2018/19**

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>	 Red 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.
	<b>High</b>	 Amber 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>	 Yellow 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 / Advisory</b>	 Green 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.