



North Herts District Council

Audit Committee Progress Report

17 December 2018

Recommendations

Members are recommended to:

- **Note the Internal Audit Progress Report for the period to 30 November 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 30 November 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 30 November 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 third 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 have been issued since 7 September 2018 (cut-off date for the SIAS Update Report for 24 September 2018 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Overtime	October 2018	Satisfactory	4 Medium
Software Licensing	October 2018	Good	-
Treasury Management	November 2018	Good	-
S106	December 2018	Satisfactory	2 Medium

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

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 not made any new high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above.

Proposed Amendments

- 2.5 At the request of management, the following audit has been added to the 2018/19 Annual Audit Plan in the period since the last FAR Committee:
- Procurement (10 days) – to provide assurance that Contract Procedure Rules have been adhered to in all instances, including the use of waivers.
- 2.6 As a result of the above, contingency in the 2018/19 Annual Audit Plan for the Council currently stands at 3 days.

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 – 30 November 2018			
Status	No. of audits at this stage	% of total audits (33)	Profile to date
Draft / Final Report Issued	14	43%	52% (17/33)
In Fieldwork / Quality Review	7	21%	21% (7/33)
Terms of Reference Issued / In Planning	6	18%	12% (4/33)
Yet to be planned / Allocated	6	18%	15% (5/33)

Deferred	0
Cancelled from the plan	2

2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2018.

2.9 As at 30 November 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 30 November 2018	Actual to 30 November 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	63% (225 / 357 days)	54% (192.5 / 357 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	52% (17 / 33 projects)	43% (14 / 33 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (4 surveys returned)
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A – No high priority recommendations made

2.10 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 30 NOVEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Key Financial Systems									
Integra 2 – General Ledger, Debtors and Creditors						25	Yes	8	In Fieldwork
Corporate Debt Management						15	Yes	5	In Fieldwork
Treasury Management	Good	0	0	0	0	6	Yes	6	Final Report Issued
Council Tax						10	Yes	1	ToR Issued
NDR						10	Yes	7	In Fieldwork
Benefits & Rent Allowances						10	Yes	0.5	ToR Issued
Payroll						8	Yes	1	ToR Issued
Operational Audits									
Green Space Strategy Management						10	Yes	0.5	In Planning
S106	Satisfactory	0	0	2	0	10	Yes	10	Final Report Issued
Crematorium						10	Yes	9.5	Draft Report Issued
Museum Services						10	Yes	9.5	Draft Report Issued
Learning Management System						10	Yes		Allocated
Overtime and Expenses	Satisfactory	0	0	4	0	12	Yes	12	Final Report Issued
Apprenticeship Levy						10	Yes	9.5	Draft Report Issued
Homelessness Reduction Act						12	Yes	10.5	In Fieldwork
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 30 NOVEMBER 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	7.5	In Fieldwork
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
Procurement / Contracts									
Waste Contract – Client Services						16	Yes	0.5	In Planning
Markets – Contract Management						5	Yes		Allocated
Outbound Mail Contract						10	Yes		Allocated
Property Compliance Contract						10	Yes	0.5	In Planning
Procurement						10	Yes	0.5	Allocated
Corporate Governance									
Corporate Governance						12	Yes		Allocated
IT Audits									
Software Licence Management	Good	0	0	0	0	12	Yes	12	Final Report Issued
PSN Accreditation						12	Yes	7.5	In Fieldwork
Shared Learning and Joint Reviews									
Joint Reviews						2			
Shared Learning						3		2	Through Year

APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 30 NOVEMBER 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Contingency & Ad Hoc Activity									
Contingency						3			As Required
Election Support						0			Cancelled
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
DFG Grant certification	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
King George V Playing Fields						1	Yes		Allocated
Strategic Support									
Head of Internal Audit Opinion 2017/18						3	Yes	3	Complete
Audit Committee						10	Yes	7.5	Through Year
Client Meetings						8	Yes	6	Through Year
Liaison with External Audit						1	Yes		Through Year
Progress Monitoring						10	Yes	7.5	Through Year
SIAS Development						5	Yes	5	Through Year
2019/20 Audit Planning						6	Yes	0.5	Through Year
2017/18 Projects requiring completion									
Commercialisation						1	Yes	1	Cancelled
Waste Contract – Green Waste Charging						3	Yes	3	Cancelled – merged with Waste Contract audit
Finalisation of Projects						1	Yes	1	Complete
Total - North Herts D.C.		0	0	10	3	360		192.5	

* - 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

The table below show the details of the nine high priority recommendations arising from the CCTV joint review for information. These recommendations and their implementation status are overseen and monitored by Stevenage Borough Council as the lead authority, as well as both officer (Officer Management Board) and Member (Joint Executive Committee) boards responsible for the CCTV partnership:

	Recommendation	Management Response
1	We recommend that the governance framework for the overall CCTV Partnership is reviewed and confirmed as being fit for purpose, or changed as necessary, and is clearly understood by all parties, including the respective roles and responsibilities of the relevant Members and Officers.	We will draft a governance framework for the overall CCTV arrangements to include: <ul style="list-style-type: none"> - Governance for Hertfordshire CCTV Partnership - Governance for Hertfordshire CCTV Partnership Ltd. - Governance lines between the Partnership and the Company - Member roles and responsibilities - Officer roles and responsibilities These will be consulted on and agreed by the CCTV Joint Executive and the Company Board of Directors.
2	We recommend that an appropriate new Partnership Agreement between the current four CCTV Partner Authorities is drawn up and executed. It should clearly include the specific roles and responsibilities of the Partner Authorities. It should also clearly state the relationship the Partner Authorities have with Hertfordshire CCTV Partnership Ltd. and the function of that company in respect of the overall CCTV Partnership.	We will prepare an updated CCTV Partnership Agreement drafted through the CCTV Officer Management Board to be signed by all four Partner Authorities.
3	We recommend that the current Shareholders' Agreement for the Company is reviewed to ascertain if it remains fit for purpose and, if so, that the terms are fully complied with.	The Company Directors' will consider this recommendation through their Shareholder Representatives in light of future considerations relating to the future of Hertfordshire CCTV Partnership Ltd.
4	We recommend that appropriate revised / new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are drawn up and formally agreed.	Terms of Reference will be updated for the CCTV Joint Executive and a Terms of Reference will be created for the CCTV Officer Management Board.
5	We recommend that, once agreed, the revised/new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are revised / added in the Constitutions for each of the four Partner Authorities, together with the updated Member/Officer representation for both groups.	New Terms of Reference will be submitted for formal incorporation into constitutional arrangements for the four Partner Authorities.
6	We recommend that a new five year Business Plan for the overall CCTV Partnership is drawn up and agreed. As a minimum, the plan should be	We will develop a new five year rolling Business Plan (with monthly monitoring and full annual reviews) for the overall Hertfordshire CCTV Partnership based

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

	monitored on a monthly basis in terms of achievements against projections and it should be the subject of a full review and refresh annually to cover the next five years ahead on a rolling basis. Besides financial projections, it should include non-financial aims and targets that should be monitored, reviewed and refreshed on the same basis.	on decisions about the future direction of Hertfordshire CCTV Partnership Ltd.
7	We recommend that the role and responsibilities of the SBC Group Accountant in respect of the overall CCTV Partnership are reviewed, evaluated and formerly confirmed. Consideration should be given to increased use of the external Accountants with regard to the accounting requirements of Hertfordshire CCTV Partnership Ltd.	The role of the SBC Group Accountant in relation to the overall Partnership will be clarified in the revised Partnership Agreement. The Company Directors will consider the accountancy needs of the Company and source appropriately.
8	We recommend that all reporting arrangements for the Partner Authorities are formally reassessed, agreed and documented to ensure there is complete clarity and transparency of expectations and understanding across all interested parties regarding the need, responsibility, frequency, timing, content, format and distribution of each report required.	Authority reporting arrangements to be included as part of a revised Partnership Agreement, Shareholder Agreement and Terms of Reference as necessary.
9	We recommend that there is a review of how charges are being calculated and billed to the Partner Authorities, clarification of who is responsible for this and agreement of the timing.	A schedule of charges to be prepared for the Partnership. The schedule will identify recharges applied to the Partnership, including; staffing, overheads, IT, etc. The schedule will also include recharges applied to Hertfordshire CCTV Partnership Ltd. A quarterly finance report to be prepared for the CCTV Officer Management Board, to include year-end financial projections for the Partnership.

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





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

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

Draft Report Issued					
Capital Programme – moved from January In Fieldwork					

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2018/19

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	 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.
	High	 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.
Service	Medium	 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.
	Low / Advisory	 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.