



**North Herts District Council**  
Finance, Audit and Risk Committee

SIAS Progress Report

21 March 2019

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 1 March 2019,
- 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 1 March 2019.
  - 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 1 March 2019.

## 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 fourth and final 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 30 November 2018 (cut-off date for the SIAS Update Report for 17 December 2018 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Crematorium	December 2018	Satisfactory	2 Medium, 1 Low
Homelessness Reduction Act	December 2018	Satisfactory	2 Medium
NDR	January 2019	Good	2 Low
Apprenticeship Levy	January 2019	Satisfactory	2 Medium
Council Tax	January 2019	Good	2 Low
Capital Programme	January	Satisfactory	5 Medium, 3 Low

	2019		
Museum Services	February 2019	Limited	1 High, 2 Low
Housing Benefits	February 2019	Good	N/A
Integra 2	March 2019	Satisfactory	1 Medium, 2 Low

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 made one new high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above. This relates to the Museum Services audit completed. Further details can be found in Appendix B.

#### Proposed Amendments

2.5 There are no proposed amendments to the Annual Audit Plan.

#### Performance Management

#### Reporting of Audit Plan Delivery Progress

2.6 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 – 1 March 2018</b>			
<b>Status</b>	<b>No. of audits at this stage</b>	<b>% of total audits (33)</b>	<b>Profile to date</b>
Draft / Final Report Issued	22	67%	73% (24/33)
In Fieldwork / Quality Review	9	27%	21% (7/33)
Terms of Reference Issued / In Planning	2	6%	6% (2/33)
Yet to be planned / Allocated	0	0%	0% (0/33)

Deferred	0
Cancelled from the plan	2

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

2.8 As at 1 March 2019, 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 1 March 2018	Actual to 1 March 2018
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	85% (306 / 359.5 days)	83% (297 / 359.5 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	73% (24 / 33 projects)	67% (22 / 33 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (9/14 surveys returned)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

2.9 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 1 MARCH 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	Satisfactory	0	0	1	2	25	Yes	25	Final Report Issued
Corporate Debt Management						15	Yes	14	Quality Review
Treasury Management	Good	0	0	0	0	6	Yes	6	Final Report Issued
Council Tax	Good	0	0	0	2	10	Yes	10	Final Report Issued
NDR	Good	0	0	0	2	10	Yes	10	Final Report Issued
Benefits & Rent Allowances	Good	0	0	0	0	10	Yes	10	Final Report Issued
Payroll						8	Yes	2	In Fieldwork
<b>Operational Audits</b>									
Green Space Strategy Management						10	Yes	1	In Planning
S106	Satisfactory	0	0	2	0	11	Yes	11	Final Report Issued
Crematorium	Satisfactory	0	0	2	0	10	Yes	10	Final Report Issued
Museum Services	Limited	0	1	0	2	10	Yes	10	Final Report Issued
Learning Management System						10	Yes	2	In Fieldwork
Overtime and Expenses	Satisfactory	0	0	4	0	13	Yes	13	Final Report Issued
Apprenticeship Levy	Satisfactory	0	0	2	0	10	Yes	10	Final Report Issued
Homelessness Reduction Act	Satisfactory	0	0	2	0	12	Yes	12	Final Report 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 1 MARCH 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	2	Draft Report Issued
Original Documentation – Consultancy Review	Not Assessed	0	0	0	0	2.5	Yes	2.5	Final Report Issued
Capital Programme	Satisfactory	0	0	5	3	10	Yes	10	Final Report 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						16	Yes	9.5	In Fieldwork
Markets – Contract Management						5	Yes	0.5	In Planning
Outbound Mail Contract						10	Yes	2	In Fieldwork
Property Compliance Contract						10	Yes	7	In Fieldwork
Procurement						10	Yes	5.5	In Fieldwork
<b>Corporate Governance</b>									
Corporate Governance						12	Yes	1	In Fieldwork
<b>IT Audits</b>									
Software Licence Management	Good	0	0	0	0	12	Yes	12	Final Report Issued
PSN Accreditation						12	Yes	11	Quality Review
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						2		2	
Shared Learning						3		3	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				
<b>Contingency &amp; Ad Hoc Activity</b>									
Contingency						0.5			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	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
<b>Strategic Support</b>									
Head of Internal Audit Opinion 2017/18						3	Yes	3	Complete
Audit Committee						10	Yes	10	Through Year
Client Meetings						8	Yes	8	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Progress Monitoring						10	Yes	10	Through Year
SIAS Development						5	Yes	5	Through Year
2019/20 Audit Planning						6	Yes	6	Through Year
<b>2017/18 Projects requiring completion</b>									
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
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>1</b>	<b>22</b>	<b>14</b>	<b>360</b>		<b>297</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.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (March 2019)
1.	Museum Services  February 2019	<p>We recommend that the Council implements a plan to address the future storage that it will face.</p> <p>There are several options to consider:</p> <p>a) Invest in a new storage facility that is larger and has greater capacity to house an expanding range of artefacts;</p> <p>b) Purchase additional space to handle the overflow from the current storage facility; or</p> <p>c) Invest resources to undertake rationalisation of the</p>	<p>The Council is aware that the long term storage requirements need to be investigated and will undertake an options appraisal to identify the best approach to try and resolve this.</p>	Service Director (Commercial)	30 April 2020	N/A at this time.	N/A at this time.

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

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (March 2019)
		<p>current artefacts in storage.</p> <p>All of the above have cost implications, both time and financial costs, therefore a cost benefit analysis should be completed to support the management decision.</p>					

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

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

<b>Final Report Issued</b>				<b>In Fieldwork</b>	
Capital Programme – moved from January					
<b>Final Report 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.
Service	<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.