



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

3 June 2019

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 17 May 2019,
- Note the proposed amendments to the 2019/20 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 2019/20 as at 17 May 2019.
 - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
 - c) Proposed amendments to the 2019/20 Annual Audit report
 - d) An update on performance management information as at 17 May 2019.

Background

- 1.2 The 2019/20 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2019.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving feedback on the delivery of the 2019/20 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 17 May 2019, 12% of the 2019/20 Audit Plan days had been delivered.
- 2.2 The following 2018/19 final reports have been issued since 1 March 2019 (cut-off date for the SIAS Update Report for 21 March 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Corporate Debt Management	March 2019	Limited	2 High, 2 Medium, 3 Low
Property Compliance Contract	March 2019	Good	2 Low
Learning Management System	March 2019	Satisfactory	2 Medium
Markets – Contract Management	March 2019	Good	1 Low
Green Space Strategy	April 2019	Satisfactory	1 Medium

Management			
Outbound Mail Contract	April 2019	Good	2 Low
Payroll	April 2019	Good	2 Low
Procurement	April 2019	Satisfactory	8 Medium, 2 Low
Corporate Governance	May 2019	Satisfactory	1 Medium, 2 Low
PSN Accreditation	May 2019	Good	2 Low

2.3 We have not issued any final reports relating to the 2019/20 audit plan up to 17 May 2019.

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

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 two high priority recommendations as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above. These relate to the Corporate Debt Management audit completed. Further details can be found in Appendix B.

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 recommendations that are currently not implemented.

Proposed Amendments

2.8 The Committee should note that a further 4 days has been returned to contingency as a result of the delivery of 97% billable days for 2018/19. Originally, we planned 15 days for carry forward work from 2018/19 and this has now been reduced to 11 days. Therefore, contingency in the 2019/20 Annual Audit Plan for the Council currently stands at 7 days.

Performance Management

Reporting of Audit Plan Delivery Progress

2.9 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 – 4 June 2018			
Status	No of Audits at this Stage	% of Total Audits (25)	Profile to date
Draft / Final Report Issued	0	0%	(1/25)
In Fieldwork / Quality Review	3	12%	(3/25)
Terms of Reference Issued / In Planning	4	16%	(2/25)
Yet to be planned	18	72%	(19/25)

Deferred	0
Cancelled	0

- 2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.
- 2.11 As at 17 May 2019, 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 17 May 2019	Actual to 17 May 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	15% (50 / 333 days)	12% (41.5 / 333 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	4% (1 / 25 projects)	0% (0 / 25 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	N/A – No surveys returned
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A – No high priority recommendations made

- 2.12 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2019/20 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 2019/20 AUDIT PLAN AS AT 17 MAY 2019

2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Key Financial Systems						
Integra 2 – General Ledger, Debtors and Creditors			14	Yes	0	Allocated
Treasury Management			8	Yes	0	Allocated
Expenses			10	Yes	0	Allocated
Budgetary Control			10	Yes	0	Allocated
Revenues			15	Yes	0	Allocated
Benefits			10	Yes	0	Allocated
Corporate Audits						
Data Quality of Performance Information			15	Yes	0	Allocated
Workforce Planning and Development			20	Yes	2.5	In Planning
Corporate Resilience			15	Yes	0	Allocated
Corporate Change Management			15	Yes	0	Allocated
Operational Audits						
Trade Waste			15	Yes	0	Allocated
Temporary Accommodation			12	Yes	0	Allocated
Time Recording System			12	Yes	10.5	In Fieldwork
Members Expenses Benchmarking			8	Yes	0	Allocated
Parking Strategy and Enforcement			15	Yes	0	Allocated

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 17 MAY 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Transparency Code					12	Yes	2	In Fieldwork
Equality and Diversity					10	Yes	0	Allocated
Herts Home Improvement Agency					2	Yes	0	Allocated
Review of FAR					3	Yes	2	In Fieldwork
King George V Playing Fields					1	Yes	0	Allocated
Procurement / Contracts								
Financial Resilience of Suppliers					15	Yes	0	Allocated
IT Audits								
General Data Protection Regulations					10	Yes	0.5	ToR Issued
Cyber Risk					15	Yes	0.5	ToR Issued
Systems Access – Passwords					12	Yes	0	Allocated
Anti-Fraud								
SAFS Review					2	Yes	0	In Planning
Shared Learning and Joint Reviews								
Joint Reviews					2	Yes	0	Allocated
Shared Learning					3	Yes	0	Through Year
Contingency & Ad Hoc Activity								
Contingency & Ad Hoc Activity					7	Yes	0	As Required
Strategic Support								
Head of Internal Audit Opinion 2018/19					3	Yes	3	Complete

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 17 MAY 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Audit Committee					8	Yes	2	Through Year
Client Meetings					8	Yes	2	Through Year
Liaison with External Audit					1	Yes	0	Through Year
Progress Monitoring					10	Yes	2.5	Through Year
SIAS Development					5	Yes	5	Through Year
2020/21 Audit Planning					6	Yes	0	Through Year
2018/19 Projects requiring completion								
Finalisation of Projects					11	Yes	9	As Required
Total - North Herts D.C.					340		41.5	

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)	SIAS Comment May 2019	Status of Progress
1.	Corporate Debt Management (March 2018)	<p>We recommend that the Council undertakes training with all officers responsible for debt management and recovery. Within this training and in lieu of a corporate policy, clear procedures should be outlined and documented to provide clear direction and consistent approach to debt management and recovery in all directorates.</p> <p>The training and procedures should set out the entire standard corporate debt recovery process, from start to finish, in writing and through illustration (via a summary flowchart), so that the automated and manual intervention stages, actions and timings are all clearly defined.</p>	To take place once new revised format of aged debt complete.	Controls, Risk and Performance Manager / Revenues Manager	31 October 2019	Not applicable.	No comment – too early to assess.	Not implemented

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		<p>The roles, responsibilities and delegations of corporate finance, corporate recovery and services in regard to monitoring, pursuing and writing off overdue sales invoices should be fully explained to all officers and accurately reflect the Financial Regulations.</p> <p>The Council should initially focus on getting the basic debt recovery steps implemented in practice. Once this is in place, the Council should review the impact on overall debt levels and assess the capacity and resources available to pursue debts robustly.</p>						

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	SIAS Comment May 2019	Status of Progress
2.	Corporate Debt Management (March 2018)	<p>We recommend that the Council establish a corporate debt management group, responsible for providing unified oversight of the debt management actions and improve recovery of higher risk / value types of sundry debts.</p> <p>The group's membership should include representation from relevant service areas as well as legal and finance to provide advice and expertise on process and good practice.</p> <p>Initially, we recommend that the group meets on a monthly basis until management is satisfied that recovery is consistent and more effective than found to be at the present time. Thereafter,</p>	<p>Report to SMT on establishing group and agree remit, membership and approach.</p> <p>Set up group.</p>	Controls, Risk & Performance Manager / Revenues Manager	<p>30 April 2019</p> <p>31 May 2019</p>	<p>A report has been to SMT and we have approval for the corporate debt management group to be set up. We have established the scope/remit of the group and set up a formal document. Controls, Risk and Performance Manager will now be organising the first meeting and the rest of the actions will follow on from that.</p>	No comment – too early to assess.	Partially 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)	SIAS Comment May 2019	Status of Progress
		<p>consideration could be given to reducing the frequency of meetings.</p> <p>This is an approach to corporate debt management taken by another SIAS Partner.</p>						
3.	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>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	Not applicable	No comment – too early to assess	Not implemented

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)	SIAS Comment May 2019	Status of Progress
		<p>c) Invest resources to undertake rationalisation of the 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 – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Time Recording System In Fieldwork	Workforce Planning and Development In Planning		Corporate Resilience	General Data Protection Regulations ToR Issued	Temporary Accommodation
Review of FAR In Fieldwork	Cyber Risks ToR Issued		Equality and Diversity	Data Quality of Performance Information	Members Expenses Benchmarking
2018/19 Carry Forward Projects	Transparency Code In Fieldwork		SAFS Review In Planning		
October	November	December	January	February	March
Integra 2	Budgetary Control		Corporate Change Management	Parking Strategy and Enforcement	
Treasury Management	Revenues		Trade Waste		
Expenses	Benefits		Financial Resilience of Suppliers		
	Systems Access (Passwords)		King George V Playing Fields		

Herts Home Improvement Agency – this is a joint review with the other partner authorities and a start month has not yet been agreed.

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2019/20

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.