



North Herts District Council

Audit Committee Progress Report

16 September 2019

Recommendations

Members are recommended to:

- **Note the Internal Audit Progress Report for the period to 30 August 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 30 August 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 30 August 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 second 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 30 August 2019, 31% of the 2019/20 Audit Plan days had been delivered.
- 2.2 The following 2018/19 final reports have been issued since 17 May 2019 (cut-off date for the SIAS Update Report for 3 June 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Joint Waste Contract	July 2019	Limited	1 High, 4 Medium
Herts Home Improvement Agency	August 2019	Limited	7 High, 8 Medium, 3 Low

- 2.3 Following the finalisation of the above audit reports, all 2018/19 audits have now been completed and final reports issued. The above two reports will be considered when forming our 2019/20 annual assurance opinion.

- 2.4 The Herts Home Improvement Agency (HHIA) audit was included in the 2018/19 Annual Audit Plan for Hertfordshire County Council with a supporting contribution of days from North Herts District Council, Stevenage Borough Council, East Herts Council and Watford Borough Council as partners of the HHIA. Seven high priority recommendations were made in the HHIA audit relating to the following areas:
- a) Governance structures, work streams and resources;
 - b) Financial reporting and monitoring;
 - c) The cost recovery model;
 - d) Management information systems;
 - e) Recruitment and business continuity (succession planning);
 - f) Site visits and inspections; and
 - g) Post works sign off.
- 2.5 We have not included the high priority recommendations from the HHIA audit at paragraph 2.7 and appendix B as they are owned and monitored by the HHIA Board and subject to follow up by Hertfordshire County Council. The HHIA Board provided comments and actions in response to the findings raised in the report prior to the finalisation of the report.
- 2.6 In addition, SIAS has planned a follow up audit of the HHIA later in 2019/20 to provide further assurance to all partner audit committees.
- 2.7 The following 2019/20 final reports have been issued since 17 May 2019 (cut-off date for the SIAS Update Report for 3 June 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Review of FAR	July 2019	N/A	-
Cyber Security	August 2019	Satisfactory	4 Medium, 1 Low
Transparency Code	September 2019	Satisfactory	N/A
Time Recording System	September 2019	Limited	1 High, 1 Medium, 1 Low

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

High Priority Recommendations

- 2.9 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.

- 2.10 We have made two high priority recommendations as a consequence of the work undertaken in the audits detailed in paragraph 2.2 and 2.7 above. These relate to the Joint Waste Contract and Time Recording System audits completed.
- 2.11 The Joint Waste Contract high priority recommendation relates to the prioritisation and full implementation of the performance management regime. The high priority recommendation raised in the Time Recording System audit relates to management oversight of the use and completion of time records. Further details can be found in Appendix B.
- 2.12 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

- 2.13 The Committee should note that there are no planned changes to the 2019/20 Annual Audit Plan. Contingency in the 2019/20 Annual Audit Plan for the Council currently stands at 7 days.
- 2.14 There have been some locally agreed changes to proposed start dates, details of these can be found in Appendix C.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.15 To help the Committee assess the current situation in terms of progress against the projects in the audit plan, we have provided a timetable that shows the overall progress at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Summary – 30 August 2019			
Status	No of Audits at this Stage	% of Total Audits (25)	Profile to date
Draft / Final Report Issued	4	16%	(5/25)
In Fieldwork / Quality Review	4	16%	(4/25)
Terms of Reference Issued / In Planning	2	8%	(3/25)
Yet to be planned	15	60%	(13/25)

Deferred	0
Cancelled	0

- 2.16 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.
- 2.17 As at 30 August 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 30 August 2019	Actual to 30 August 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	34% (114 / 333 days)	31% (102 / 333 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	20% (5 / 25 projects)	16% (4 / 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%	100%

- 2.18 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 30 AUGUST 2019

2019/20 SIAS Audit Plan

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						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	18	In Fieldwork
Corporate Resilience						15	Yes	1.5	In Fieldwork
Corporate Change Management						15	Yes	0	Allocated
Operational Audits									
Trade Waste						15	Yes	0	Allocated
Temporary Accommodation						12	Yes	0	Allocated
Time Recording System	Limited	0	1	1	1	12	Yes	12	Final Report Issued
Members Expenses Benchmarking						8	Yes	0.5	In Planning
Parking Strategy and						15	Yes	0	Allocated

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 30 AUGUST 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Enforcement									
Transparency Code	Satisfactory	0	0	0	0	12	Yes	12	Final Report Issued
Equality and Diversity						10	Yes	1.5	In Fieldwork
Herts Home Improvement Agency						2	Yes	0	Allocated
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
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	6	In Fieldwork
Cyber Security	Satisfactory	0	0	4	1	15	Yes	15	Final Report Issued
Systems Access – Passwords						12	Yes	0	Allocated
Anti-Fraud									
SAFS Review						2	Yes	0.5	ToR Issued
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									

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 30 AUGUST 2019

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						8	Yes	4	Through Year
Client Meetings						8	Yes	4	Through Year
Liaison with External Audit						1	Yes	0	Through Year
Progress Monitoring						10	Yes	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	11	As Required
Total - North Herts D.C.		0	1	5	2	340		102	

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)	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> <p>The roles,</p>	To take place once new revised format of aged debt complete.	Controls, Risk and Performance Manager / Revenues Manager	31 October 2019	<p>June 2019 - Not applicable.</p> <p>September 2019 - A survey on the format of the aged debt report, which seeks the views of budget holders, has just commenced. Once a revised report has been set up taking into consideration both the audit recommendations and views of managers, officers will set up some training with managers on what the report is telling them and what action they need to take.</p>	In Progress

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>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)	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, consideration could be</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>June 2019 - 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> <p>September 2019 – This recommendation has been implemented. A report regarding the establishment of a Corporate Debt Management Group was taken to SMT and the Group was subsequently set up. The first meeting was held in July 2019 and further meetings have been arranged.</p>	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)	Status of Progress
		<p>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>c) Invest resources to</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.	Service Director (Commercial)	30 April 2020	<p>June 2019 - Not applicable</p> <p>September 2019 – the service will undertake and complete the options appraisal during 2019/20, ideally prior to the commencement of the 2020/21 corporate business planning cycle. This will enable any relevant proposals to be included in the capital investment proposals for the new year.</p>	Not 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)	Status of Progress
		<p>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>					
4.	Joint Waste Contract (July 2019)	<p>In raising the finding opposite, we recognise that the four indicators in place have a significant weighting within the PMR and therefore measuring these allows management to assess service delivery.</p> <p>Moving forward, we recommend that management undertake an exercise of prioritising the remaining indicators and determine which</p>	<p>A clear structure including timescales for the full implementation of PMR criteria was in place at the time of audit and since close of audit this has continued to be worked upon.</p> <p>We are currently carrying out works on the remaining</p>	Joint Waste Services Manager	31 August 2019	September 2019: Following the SIAS audit and as previously agreed, further work has taken place and all 64 criteria within the Performance Monitoring Regime are now live and operational for the Urbaser contract.	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)	Status of Progress
		<p>are the next most important service measurement indicators. This should be part of the project currently underway.</p> <p>In addition, we recommend that priority is given to formally agreeing the service failure types to be measured. A clear and defined record of all adjustments to the PMR should be maintained and appropriate approval retained.</p> <p>A contract variation notice should be raised to formalise any locally agreed changes to performance criteria, with the support of the Legal Commercial Team Manager.</p>	<p>categories and anticipate these to be fully implemented for end of August 19.</p>				

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)	Status of Progress
5.	Time Recording System (September 2019)	<p>We recommend that the MSU to send details of timesheets having to be unlocked, to the Line Managers to provide an overview of the timeliness of timesheet completion.</p> <p>Management should be reminded of their responsibilities, as highlighted in recommendation 1, relating to monitoring and oversight of officers' time records. Consideration should be given to the production of exception reports that detail incomplete time records at the end of the period and these should be shared with management.</p> <p>In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented</p>	<p>Management Support Unit (MSU) Manager to arrange for confirmation that the request has been received to unlock will be sent to individual's line managers, with the reason for the unlock request.</p> <p>IT to develop functionality for reporting incomplete timesheets at the end of each four-week flexi period.</p>	Service Director (Customers)	31 December 2019	September 2019 – not applicable	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)	Status of Progress
		to Service Directors, to provide an overview of the flexi time system usage, compliance with policy and potential staff wellbeing issues.					





APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

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

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.
	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.
Service	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.