



North Herts District Council

Audit Committee Progress Report

5 December 2019

Recommendations

Members are recommended to:

- **Note the Internal Audit Progress Report for the period to 15 November 2019,**
- **Note the proposed amendments to the 2019/20 Annual Audit Plan, and**
- **Note the implementation status of high priority recommendations.**

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.4 High Priority Recommendations
 - 2.8 Proposed Amendments to the 2019/20 Annual Audit Plan
 - 2.11 Performance Management

Appendices

- A Progress against the 2019/20 Audit Plan

- B Implementation Status of High Priority Recommendations

- C 2019/20 Audit Plan Start Dates Agreed with Management

- D Assurance and Finding Definitions 2019/20

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 15 November 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 15 November 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 third 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 15 November 2019, 49% of the 2019/20 Audit Plan days had been delivered.
- 2.2 The following 2019/20 final reports have been issued since 30 August 2019 (cut-off date for the SIAS Update Report for 16 September 2019 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
General Data Protection Regulations	October 2019	Satisfactory	2 Medium, 2 Low
Integra2	November 2019	Good	None.
Equality and Diversity	November 2019	Good	2 Low

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

High Priority Recommendations

2.4 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.

2.5 There are no high priority recommendations arising from the work undertaken in the audits detailed in paragraph 2.2 above. There are three high priority recommendations that remain in progress, one relating to Corporate Debt Management, one relating to Museum Services and one relating to the Time Recording System.

2.6 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.

2.7 Following the last Committee, we have removed the two implemented high priority recommendations relating to the Joint Waste Contract and Corporate Debt Management.

Proposed Amendments

2.8 At the request of management, the following changes have been made to the 2019/20 Annual Audit Plan in the period since the last FAR Committee:

- Parking Strategy and Enforcement (15 days) – this audit has been **cancelled** at the request of management.
- Data Quality of Performance Information (15 days) – this audit has been **cancelled** to accommodate a newly requested audit.
- Workman's Hall (1 day) – this audit has been **added** to the audit plan at the request of management. Workman's Hall charity account has now exceeded the threshold whereby an independent audit is required.
- Insurance (10 days) – this audit was **added** from the reserve list to replace (in part) the cancelled Parking Strategy and Enforcement audit.
- Development Management (10 days) – this audit was **added** from the reserve list to replace (in part) the cancelled Parking Strategy and Enforcement audit.

- Careline Stock (10 days) – this audit was **added** at the request of management and replaces the Data Quality of Performance Information audit.

2.9 As a result of the above changes, contingency in the 2019/20 Annual Audit Plan for the Council stands at 6 days.

2.10 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

2.11 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 on the latest performance information reported at Appendix A.

Summary – 30 August 2019			
Status	No of Audits at this Stage	% of Total Audits (27)	Profile to date
Draft / Final Report Issued	9	33%	(9/27)
In Fieldwork / Quality Review	2	7%	(7/27)
Terms of Reference Issued / In Planning	5	19%	(0/27)
Yet to be planned	11	41%	(11/27)

Deferred	0
Cancelled	2

2.12 In order to provide greater transparency and clarity on performance to date, it is important for the Committee to note that Annual Audit Plan in 2019/20 has become significantly back loaded in quarter four, with 44% of audit work planned to be delivered in this quarter.

2.13 There are several reasons for the backloading of the Annual Audit Plan, including:

- a) Management requests to postpone the start of an audit (Members Expenses Benchmarking),
- b) New audits being added to the Annual Audit Plan (four new projects)
- c) Internal matters that have caused:
 - Revenues to be moved to January 2020;
 - Data Quality of Performance Information to be cancelled and replaced with a new audit (Careline Stock).

- 2.14 Taking the above into consideration, Members should note that we are on profile for draft report delivery, despite the percentage appearing low for this stage of the year. The Committee should note that all quarter four audits have been allocated and that initial planning and agreement of timings with management is underway.
- 2.15 In terms of profile, at this stage of the year, we would have expected to have completed all quarter one and two projects (currently one project, Temporary Accommodation, remains outstanding), that all projects scheduled for October would be in fieldwork and November projects would be either in planning or terms of reference issued.
- 2.16 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.
- 2.17 As at 15 November 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 15 November 2019	Actual to 15 November 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	60% (201 / 334 days)	50% (166 / 334 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	33% (9 / 27 projects)	33% (9 / 27 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (4/4 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 15 NOVEMBER 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	Good	0	0	0	0	14	Yes	14	Final Report Issued
Treasury Management						8	Yes	4.5	In Fieldwork
Expenses						10	Yes	0	Allocated
Budgetary Control						10	Yes	0	Allocated
Revenues						15	Yes	0	Allocated
Benefits						10	Yes	1.5	ToR Issued
Corporate Audits									
Data Quality of Performance Information						0	Yes	0	Cancelled
Workforce Planning and Development						20	Yes	19.5	Draft Report Issued
Corporate Resilience						15	Yes	14.5	Draft Report Issued
Corporate Change Management						15	Yes	0	Allocated
Operational Audits									
Trade Waste						15	Yes	0	Allocated
Temporary Accommodation						12	Yes	2.5	In Planning
Time Recording System	Limited	0	1	1	1	12	Yes	12	Final Report Issued
Members Expenses Benchmarking						8	Yes	1	In Planning
Parking Strategy and						0	Yes	0	Cancelled

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 15 NOVEMBER 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	Good	0	0	0	2	10	Yes	10	Final Report Issued
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
Workman's Hall						1	Yes	0	Allocated
Development Management						10	Yes	0	Allocated
Insurance						10	Yes	0	Allocated
Careline Stock						10	Yes	0	Allocated
Procurement / Contracts									
Financial Resilience of Suppliers						15	Yes	1.5	In Planning
IT Audits									
General Data Protection Regulations	Satisfactory	0	0	2	2	10	Yes	10	Final Report Issued
Cyber Security	Satisfactory	0	0	4	1	15	Yes	15	Final Report Issued
Systems Access – Passwords						12	Yes	2	In Planning
Anti-Fraud									
SAFS Review						2	Yes	2	Quality Review
Shared Learning and Joint Reviews									
Joint Reviews						2	Yes	0	Allocated
Shared Learning						3	Yes	2.5	Through Year

APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 15 NOVEMBER 2019

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 & Ad Hoc Activity						6	Yes	0	As Required
Strategic Support									
Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						8	Yes	6	Through Year
Client Meetings						8	Yes	6	Through Year
Liaison with External Audit						1	Yes	0	Through Year
Progress Monitoring						10	Yes	7.5	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	Complete
Total - North Herts D.C.		0	1	7	6	340		166	

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> <p>November 2019 - First quarterly report taken to SMT on 5 November 2019, highlighting current issues. Subsequent meetings held with Estates and Licensing to identify action to be taken. Familiarisation sessions to be held in December 2019 to go through format of the aged debt report and explain role to users.</p> <p>Revised Target Date: 31 December 2019</p>	In Progress

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>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>					

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
2.	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 current artefacts in storage.</p> <p>All of the above have cost implications, both time and financial costs, therefore a cost benefit</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>	<p>Service Director (Commercial)</p>	<p>30 April 2020</p>	<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> <p>November 2019 - Following a comprehensive review of the audit outcomes, a Capital investment proposal for a new storage facility at Bury Mead has been put forward, as part of the 2020/21 Corporate Business Planning Process. This proposal will be subject to approval, with the 2020/21 budget due to be considered by Cabinet in January 2020 and Council in February 2020.</p>	<p>In Progress</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
		analysis should be completed to support the management decision.					
3.	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>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	<p>September 2019 – not applicable</p> <p>November 2019 – The unlocking procedure has been changed so that now a request to unlock a timesheet has to be made by the line manager and not the officer concerned. This ensures that line managers are immediately aware of a request to unlock and are better placed to deal with repeat occurrences. In terms of the reports, IT has confirmed that these can be amended and produced. There is an ongoing review of the flexi-scheme at the moment, which has in part come about because of the audit report and a review of whether the existing scheme is now fit for purpose considering the substantial changes in working practices</p>	In Progress

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>In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented to Service Directors, to provide an overview of the flexi time system usage, compliance with policy and potential staff wellbeing issues.</p>				<p>over the last few years. The Service Director – Customers is not proposing to ask for the changes to reports to be implemented until that review has been completed and any revised scheme adopted. This will avoid wasting resources to change reports now and then having to do it again in a few months' time, bearing in mind that it is proposed to bring in any new scheme for 1 April 2020.</p> <p>Revised Target Date: 31 March 2020</p>	

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

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

			Revenues (moved from November)		
			Members Expenses Benchmarking (moved from September) In Planning		
			Workman's Hall		
			Herts Home Improvement Agency Follow Up		

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.