



East Herts Council

Performance, Audit and Governance  
Scrutiny Committee  
16 January 2018

SIAS 2017/18 Audit Plan Progress Report

### Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report,
- Approve amendments to the Audit Plan as at 29 December 2017, and
- Note the 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
  - 2.3 High Priority Recommendations
  - 2.5 Proposed Amendments to Audit Plan
  - 2.6 Performance Management

## Appendices

- A Progress against the 2017/18 Audit Plan
  
- B Implementation status of high priority recommendations
  
- C Audit Plan Items (April 2017 to March 2018) – Start Dates Agreed with Management

# 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 2017/18 as at 29 December 2017.
  - b) An update on performance management information as at 29 December 2017.

## Background

- 1.2 The 2017/18 Audit Plan was approved by the Audit and Governance Committee on 22 March 2017.
- 1.3 The Performance, Audit and Governance Scrutiny Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to the Committee on 26 September 2017. A verbal update on performance against two key performance indicators was brought to the November meeting of this Committee by the Head of Strategic Finance and Property on behalf of SIAS
- 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 29 December 2017, 68% of the 2017/18 Audit Plan days had been delivered (calculation excludes unused contingency). Appendix A provides a status update on each individual project within the audit plan.
- 2.2 One project from the 2016/17 Audit Plan has been finalised since the September 2017 meeting of this Committee:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Joint Review - PREVENT	Nov '17	N/A	N/A (6 suggested control enhancements – 3 with relevance to EHC)

The following nine 2017/18 projects have been finalised since the September meeting:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Taxi Licensing Enforcement	Sep '17	Full	N/A
Licensing	Sep '17	Substantial	One medium One merits attention
DFG Capital Grant Certification	Sep '17	N/A	N/A
Digital East Herts	Oct '17	Substantial	One medium Three merits attention
NDR	Oct '17	Full	None
Off-Payroll Payments (IR35)	Nov '17	Substantial	Three medium
Hertford Theatre Income	Dec '17	Substantial	Two medium
Customer Services – 3 Cs	Dec '17	Substantial	Two medium
Treasury Management	Dec '17	Full	None

#### High Priority Recommendations

- 2.3 A final audit report is issued when agreed by management; this includes an agreement to implement recommendations that have been made. It is SIAS's responsibility to bring to the attention of Members the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.4 The current position in respect of existing outstanding high priority recommendations is shown at Appendix B.

#### Proposed Audit Plan Amendments

- 2.5 The following changes to the 2017/18 Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:

Deleted Audits (days returned to contingency):

- Office Accommodation Project (12 days)  
Audit cancelled as insufficient progress in this year to warrant an audit. To be considered for inclusion in the 2018/19 Audit Plan.

Amended Audits (days returned to contingency)

- Creditors / Debtors / General Ledger / Treasury Management  
The scope of these audits has been reduced in agreement with the Head of Strategic Finance and Property and the Financial Services Manager in view of the implementation of the new

Finance system. The reduction in days reduces demands on officer time during the critical phase of the project leading to go-live on 1 April 2018. The scope and timings of these audits will be re-assessed in 2018/19 when the new system is operational.

A total of 18 days has been returned to contingency from these audits.

- Joint Reviews  
Two of the original five days to be allocated to the preparation of summary learning from the Serious Organised Crime Reviews completed across all SIAS clients. The remaining three days to be returned to contingency.

### Performance Management

- 2.6 Annual performance indicators and associated targets were approved by the SIAS Board in March 2017 and are reviewed annually.
- 2.7 As at 29 December 2017, actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 29 December 2017</b>	<b>Actual to 29 December 2017</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	70%	68%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	54% (19 of 35 projects to draft)	49% (17 of 35 projects to draft)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	None yet made in 2017/18

2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2017/18 Head of Assurance's Annual Report:

- **5. External Auditor's 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 and Governance Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.
- **7. Head of Assurance's Annual Report** – presented at the Performance, Audit and Governance Scrutiny Committee's first meeting of the civic year.

## APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 DECEMBER 2017

### 2017/18 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Key Financial Systems</b>								
Asset Management					10	Yes	1	In planning
Council Tax					10	Yes	9.5	Draft report issued
Creditors					7	Yes	6.5	Draft report issued
Debtors					8	Yes	7.5	Draft report issued
General Ledger					6	Yes	4.5	In fieldwork
Housing Benefits & Rent Allowances					10	Yes	2	In fieldwork
NDR	Full	0	0	0	10	Yes	10	Final report issued
Payroll					14	Yes	8	In fieldwork
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury	Full	0	0	0	5	Yes	5	Final report issued
<b>Operational Audits</b>								
Development Management (pre-application process)					6	Yes	0.5	In planning
Section 106 Agreements (application of revised charging)					8	Yes	0.5	In planning
Old River Lane Development					14	Yes	13.5	Draft report issued
Accommodation Project (challenge assumptions)					0		0	Cancelled
Business Continuity Planning					10	Yes	9.5	Draft report issued
Communications					10	Yes	2	Terms of reference issued – to start February
Customer Service - 3 Cs	Substantial	0	2	0	12	Yes	12	Final report issued

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		H	M	MA				
Hertford Theatre – income	Substantial	0	2	0	10	Yes	10	Final report issued
Play Safety Inspections					10	Yes	0	Due to start February
Digital East Herts	Substantial	0	1	3	12	Yes	12	Final report issued
Off-Payroll Payments	Substantial	0	3	0	5	Yes	5	Final report issued
Licensing - processing of applications and issue of licences	Substantial	0	1	1	15	Yes	15	Final report issued
Taxi Licensing Enforcement	Full	0	0	0	8	Yes	8	Final report issued
Food Safety Inspections					10	Yes	8.5	In fieldwork
New Payroll System – rollout of self-service					8	Yes	0.5	In planning
DFG Capital Grant Certification	N/A	-	-	-	2	Yes	2	Complete
Petty Cash & Procurement Cards					8	Yes	7.5	Draft report issued
Elections					5.5	Yes	0.5	In planning
<b>Procurement</b>								
Local Authority Serious and Organised Crime Checklist					10	Yes	8	In fieldwork
Procurement					15	Yes	14	Draft report issued
<b>IT Audits</b>								
Mobile Device Management					6	BDO	0	Due to start February
IT Procurement					6	BDO	5.5	Draft report issued
IT Shared Service Agreement					6	BDO	0	Due to start February
IT Incident Management					6	BDO	5.5	Draft report issued
Cyber Security					6	BDO	0.5	In planning



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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Shared Learning</b>								
Shared Learning Newsletters and Summary Themed Reports					5	N/A	4	Ongoing
Joint Reviews – topics to be determined by the SIAS Board					0		0	Cancelled
Shared Learning from Local Authority Serious and Organised Crime Review					2		0	Ongoing
<b>Risk Management</b>								
Risk Management					0		0	Cancelled
<b>Anti-Fraud</b>								
Anti-Fraud – Controls Review					5	No	0	As required
<b>Strategic Support</b>								
2018/19 Audit Planning					10	N/A	2	Ongoing
Audit Committee					12	N/A	10	Ongoing
Client Liaison					10	N/A	7.5	Ongoing
Liaison with External Audit					1	N/A	0.5	Ongoing
Head of Internal Audit Opinion 2016/17					5	N/A	5	Complete
Plan Delivery Monitoring					10	N/A	7.5	Ongoing
SIAS Development					5	N/A	5	Complete
<b>Contingency</b>								
Unused Contingency					33	N/A		

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Follow Ups</b>								
Follow up of high priority recommendations					3	N/A	2.5	Ongoing
<b>2016/17 Projects requiring completion</b>								
Various					8.5	N/A	8.5	Complete
Joint Review – PREVENT	N/A	-	-	-	0.5	BDO	0.5	Final report issued
Joint Review – Local Authority Trading					0.5	BDO	0	In fieldwork
<b>EHC TOTAL</b>					<b>400</b>		<b>248.5</b>	

## 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 (December 2017)
1.	Tree Surveying (May 2017)	It is recommended that the service is let in accordance with the Council's contract standing orders for future years.	To retender the tree risk inspection contract and to design and procure a new schedule of works based maintenance contract.	Parks and Open Spaces Manager	31 March 2018	<p><u>December 2017</u>                      The specification is drafted for the inspection contract and just needs some final modifications to ensure it will provide the necessary platform for the maintenance works. We should be able to get that out for tender this month and therefore in time to have the contract renewed and running by March 31<sup>st</sup> 2018.</p>	Not implemented – continue to monitor

## APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate <b>Complete</b>	Petty Cash & Procurement Cards <b>Draft report issued</b>	Off-Payroll Payments <b>Final report issued</b>	Business Continuity Planning <b>Draft report issued</b>	Digital East Herts <b>Final report issued</b>	DFG Capital Grant Sign-Off <b>Complete</b>	Council Tax <b>Draft report issued</b>	Treasury Mgmt <b>Final report issued</b>	Debtors <b>Draft report issued</b>	Creditors <b>Draft report issued</b>	Comms <b>Terms of reference issued</b>	Elections <b>In planning</b>
Licensing <b>Final report issued</b>	Taxi Licensing Enforcement <b>Final report issued</b>	Procurement <b>Draft report issued</b>	Hertford Theatre – income <b>Final report issued</b>	IT Incident Mgmt <b>Draft report issued</b>	IT Procurement * <b>Draft report issued</b>	Housing Benefits <b>In fieldwork</b>	NDR <b>Final report issued</b>	Asset Mgmt <b>In planning</b>	Development Management (pre-applications) * <b>In planning</b>	Play Safety Inspections	
3 C's <b>Final report issued</b>				Serious & Organised Crime <b>In fieldwork</b>		Old River Lane <b>Draft report issued</b>		General Ledger <b>In fieldwork</b>	Section 106* <b>In planning</b>	IT Shared Service Agreement *	
								Food Safety <b>In fieldwork</b>		Anti-Fraud Controls Review	
								Payroll		Mobile Device	

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									In fieldwork		Mgmt*	
											Cyber Security*	
											New Payroll System – self- service*	
											In planning	

### \*Notes

The following IT audits have been moved to align with client and BDO resource availability:

- **IT Procurement** - July to September
- **Cyber Security** - July to February
- **Mobile Device Management** - August to February
- **IT Shared Service Agreement** - September to February

The following audits have been moved as the revised processes have not yet been fully implemented:

- **Development Management (pre-applications)** - October to January
- **New payroll system (self-service)** - November to February

The following audit has been moved to allow time for a restructure of the service to be completed:

- **Section 106** - August to January