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Three Rivers District Council

Audit Committee Progress Report

28 June 2016

Recommendation

Members are recommended to:

* Note the Internal Audit Progress Report for the period to 10 June 2016
* Approve amendments to the Audit Plan as at 10 June 2016
* Agree removal of implemented audit recommendations (Appendices 3-9)
* Agree changes to the implementation dates for 11 audit recommendations (paragraph 2.5.1) for the reasons set out in Appendices 3 to 9
* Note the status of the 19 IT audit recommendations (see separate report by the Head of Finance)

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1. Introduction and Background

Purpose of Report

* 1. This report details:
  2. Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council’s annual audit plan for 2016/17 as at 10 June 2016.
  3. Implementation status of all previously agreed audit recommendations from 2009/10 onwards.
  4. An update on performance management information as at 10 June 2016.

Background

* 1. 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. The 2016/17 Annual Audit Plan was approved by Audit Committee on 22 March 2016.
  3. The Audit Committee receives periodic updates on progress against the Annual Audit Plan from SIAS, the most recent of which was brought to this Committee on 22 March 2016.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 10 June 2016, 13% of the 2016/17 Audit Plan days had been delivered (calculation excludes unused contingency). Appendix A provides a status update on each individual deliverable within the audit plan.

2.2 Ten 2015/16 audits providing assurance to the Audit Committee have been finalised since the reporting deadline for the March meeting of this Committee. This represents closure of the 2015/16 Audit Plan. All final audit reports are available to Members on request.

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit Title** | **Date of Issue** | **Assurance Level** | **Number and Priority of Recommendations** |
| Main Accounting (CRSA) | Feb ‘16 | Substantial | None |
| NDR | Mar ‘16 | Substantial | Five medium |
| Debtors | Mar ‘16 | Substantial | One medium  One merits attention |
| Corporate Governance | Mar ‘16 | N/A | N/A |
| Insurance | Mar ‘16 | Full | None |
| Creditors | Mar ‘16 | Substantial | One merits attention |
| Budget Monitoring | Mar ‘16 | Full | None |
| Payroll | Apr ‘16 | Full | None |
| Community Infrastructure Levy | May ‘16 | Full | None |
| Benefits | May ‘16 | Substantial | One merits attention |

No 2016/17 reports have yet been finalised (see Appendix A for details of the status of 2016/17 audits).

All Priority Audit Recommendations

2.3 Members will be aware that a Final Audit Report is issued when agreed by Management. This includes an agreement to implement the recommendations made. It is SIAS’s responsibility to bring to Members’ attention the implementation status of recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.4 The table below summarises progress in implementation of all outstanding internal audit recommendations at June 2016, with full details given in appendices 3 to 9:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Recommendations made  No. | Implemented | Not yet due | Outstanding  & request made for extended time | Percentage implemented  % |
| 2009/10 | 144 | 141 | 0 | 3 | 98% |
| 2010/11 | 180 | 179 | 0 | 1 | 99% |
| 2011/12 | 102 | 99 | 0 | 3 | 97% |
| 2012/13 | 36 | 35 | 0 | 1 | 97% |
| 2013/14 | 79 | 76 | 1 | 2 | 96% |
| 2014/15 | 67 | 48 | 3 | 16 | 72% |
| 2015/16 | 29 | 23 | 2 | 4 | 79% |

* 1. The 30 recommendations in the ‘outstanding and request made for extended time’ column fall into 2 categories as per sections 2.5.1 and 2.5.2 below.

2.5.1 Since March 2016 Audit Committee, extension to implementation dates have been requested by action owners for 11 recommendations as follows:

1. Two from the 2014/15 Debtors audit,
2. One from the 2014/15 NDR audit,
3. Two from the 2014/15 Benefits audit,
4. Two from the 2014/15 Enforcement audit,
5. One from the 2015/16 Contract Management audit,
6. One from the 2015/16 Council Tax audit, and
7. Two from the 2015/16 Debtors audit.
   * 1. For the 19 outstanding IT audit recommendations, a separate report has been brought to this committee by the Head of Finance and no specific updates are included for these recommendations.

 Proposed 2016/17 Audit Plan Amendments

2.6 The following amendments to the 2016/17 Audit Plan have been agreed with officers of the Council and are detailed below for Audit Committee approval:

Additions:

* Beat the Killer Cold – new audit added at the request of management. Six days taken from contingency (shared plan).

Changes:

* Scope of the Officer Expenses audit extended to cover Watford Borough Council and therefore moved to the shared plan. Additional two days taken from contingency (shared plan).

Deletions:

* None

Performance against Targets

Reporting of Audit Plan Delivery Progress

2.7 To help the Committee assess the current situation in terms of progress against the projects in the 2016/17 Audit Plan, an analysis of agreed start dates is shown at Appendix 2. Dates have been agreed with management and resources allocated accordingly. This is designed to facilitate smooth delivery of the audit plan through the year.

2.8 The 2016/17 Annual performance indicators and targets were approved by the SIAS Board in March 2016. Actual performance for Three Rivers District Council against the targets that are monitored in year is set out in the table below.

| **Performance Indicator** | **Annual Target** | **Profiled Target to 10 June 2016** | **Actual to 10 June 2016** |
| --- | --- | --- | --- |
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed (excluding unused contingency) | 95% | 15% | 13% |
| **2. Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2015/16 completion and ‘ongoing’ pieces) | 95% | 9%  (2 out of 22 projects to draft) | 5%  (1 out of 22 projects to draft) |
| **3. Client Satisfaction** – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level | 100% | 100% | N/A  (no reports yet finalised) |
| **4. Number of High Priority Audit Recommendations agreed** | 95% | 95% | N/A  (none yet made) |

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported in the 2016/17 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 civic year.
* **7. Head of Assurance’s Annual Report** – presented at the Audit Committee’s first meeting of the civic year.

**2016/17 SIAS Audit Plan**

| **AUDITABLE AREA** | **LEVEL OF ASSURANCE** | **RECS** | | | **AUDIT PLAN**  **DAYS** | | | **LEAD**  **AUDITOR**  **ASSIGNED** | | **BILLABLE DAYS COMPLETED** | **STATUS/COMMENT** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **H** | **M** | **MA** |
| **Key Financial Systems** | | | | | | | | | | | |
| Benefits (shared plan) |  |  |  |  | 14 | | Yes | | | 2 | Parameter testing complete – remainder of audit due Q3 |
| Council Tax (shared plan) |  |  |  |  | 11 | | Yes | | | 0 |  |
| Creditors (shared plan) |  |  |  |  | 9 | | Yes | | | 0 |  |
| Debtors (shared plan) |  |  |  |  | 10 | | Yes | | | 0 |  |
| Main Accounting (shared plan) |  |  |  |  | 12 | | Yes | | | 0 |  |
| NDR (shared plan) |  |  |  |  | 12 | | Yes | | | 1 | Parameter testing complete – remainder of audit due Q3 |
| Payroll (shared plan) |  |  |  |  | 12 | | Yes | | | 0 |  |
| Treasury Management (shared plan) |  |  |  |  | 10 | | Yes | | | 0 |  |
| Budget Monitoring (shared plan) |  |  |  |  | 8 | | Yes | | | 0 |  |
| **Operational Audits** | | | | | | | | | | | |
| Green Waste Charging |  |  |  |  | 8 | | Yes | | | 0 |  |
| HR Starters & Leavers (shared plan) |  |  |  |  | 8 | | Yes | | | 0 |  |
| Land Charges |  |  |  |  | 8 | | Yes | | | 0 |  |
| Office Services |  |  |  |  | 10 | | Yes | | | 0 |  |
| Officer Expenses (shared plan) |  |  |  |  | 12 | | Yes | | | 2 | In fieldwork |
| Procurement / Credit Cards |  |  |  |  | 8 | | Yes | | | 0 |  |
| Revenues & Benefits Service – Bailiff Contract (shared plan) |  |  |  |  | 10 | | Yes | | | 0 |  |
| Section 106 Agreements |  |  |  |  | 11 | | Yes | | | 7 | In fieldwork |
| Beat the Killer Cold |  |  |  |  | 6 | | Yes | | | 1 | In fieldwork |
| **Procurement** | | | | | | | | | | | |
| Fleet Management / Vehicle Maintenance Contract |  |  |  |  | 12 | Yes | | | | 0.5 | In planning – audit deferred to Q3 |
| Contract Management |  |  |  |  | 10 | Yes | | | | 0 |  |
| **Joint Reviews / Shared Learning** | | | | | | | | | | | |
| Shared Learning Newsletters and Summary Themed Reports |  |  |  |  | 2 | N/A | | | | 0.5 | Ongoing |
| Audit Committee Workshop |  |  |  |  | 1 | N/A | | | | 0 |  |
| Joint Review - Benchmarking Workshop |  |  |  |  | 2 | No | | | | 0 |  |
| Joint Reviews |  |  |  |  | 5 | N/A | | | | 0 |  |
| **Counter Fraud** | | | | | | | | | | | |
| Review of Counter-Fraud Arrangements (shared plan) |  |  |  |  | 5 | | Yes | | | 0 |  |
| **Risk Management and Governance** | | | | | | | | | | | |  |  |  |  |  |  |  |
| N/A |  |  |  |  | 0 | | - | | | 0 |  |
| **Ad Hoc Advice** | | | | | | | | | | | |
| Ad Hoc Advice |  |  |  |  | 3 | | - | | | 1 | Ongoing |
| **IT Audits** | | | | | | | | | | | |
| IT Audits – detail to be determined (shared plan) |  |  |  |  | 20 | | No | | | 0 |  |
| **Contingency** | | | | | | | | | | | |
| Unused Contingency  (shared plan) |  |  |  |  | 17 | | - | | | 0 |  |
| **Follow-Up Audits** | | | | | | | | | | | |
| Follow-up of outstanding audit recommendations |  |  |  |  | 10 | | N/A | | | 2.5 | Ongoing |
| **Strategic Support** | | | | | | | | | | | |
| Head of Internal Audit Opinion 2015/16 |  |  |  |  | 2 | | N/A | | | 2 | Complete |
| External Audit Liaison |  |  |  |  | 1 | | N/A | | | 0.5 |  |
| Audit Committee |  |  |  |  | 10 | | N/A | | | 2.5 | Ongoing |
| Monitoring and Client Meetings |  |  |  |  | 12 | | N/A | | | 3 | Ongoing |
| 2017/18 Audit Planning |  |  |  |  | 8 | | N/A | | | 0 |  |
| SIAS Development |  |  |  |  | 3 | | N/A | | | 3 | Complete |
| **2015/16 Projects Requiring Completion** | | | | | | | | | | | |
| 2015/16 Projects Requiring Completion (5 days shared plan; 5 days TRDC) | Various |  |  |  | 10 | | | | N/A | 10 | Complete |
|  | | | | | | | | | | | |
| **TRDC TOTAL** |  |  |  |  | **137** | | | |  | **28.5** |  |
| **SHARED SERVICES TOTAL** |  |  |  |  | **175** | | | |  | **10** |  |
| **COMBINED TOTAL** |  |  |  |  | **312** | | | |  | **38.5** |  |

Key to recommendation priority levels:

H = High

M = Medium

MA = Merits attention

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Apr** | **May** | **Jun** | **July** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** |
| Revenues & Benefits Parameter Testing (shared plan)**\***  **Complete** | Officer Expenses  (shared plan)  **In fieldwork** |  | Revenues & Benefits Bailiff Contract (shared plan) | Contract Management | Green Waste Charging | Council Tax (shared plan) | NDR (shared plan) | Treasury Management  (shared plan) | Creditors (shared plan) | Budget Monitoring (shared plan) |  |
| Section 106 Agreements  **In fieldwork** | Beat the Killer Cold  **In fieldwork** |  | Office Services | HR Starters & Leavers (shared plan) |  | Debtors (shared plan) | Benefits (shared plan) | IT Audits (shared plan) | Main Accounting (shared plan) | Land Charges |  |
|  |  |  | Procurement / Credit Cards |  |  |  | Payroll (shared plan) | Review of Counter-Fraud Arrangements (shared plan) | Fleet Management / Vehicle Maintenance Contract  **Deferred from May\*** |  |  |

**\*Notes:**

* Revenues & Benefits System Parameter Testing for 2016/17 scheduled for April - remainder of work expected in Q3
* Fleet Management / Vehicle Maintenance Contract audit deferred from May at Management’s request in view of staff changes / absence and priority given to the introduction of charging for green waste collection.