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Three Rivers District Council

Audit Committee Progress Report

22 November 2016

Recommendation

Members are recommended to:

* Note the Internal Audit Progress Report for the period to 4 November 2016
* Approve amendments to the Audit Plan as at 4 November 2016
* Agree removal of implemented audit recommendations (Appendices 3-10)
* Agree changes to the implementation dates for three audit recommendations (paragraph 2.5) for the reasons set out in Appendices 3 to 10

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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 4 November 2016.
  3. Implementation status of all previously agreed audit recommendations from 2009/10 onwards.
  4. An update on performance management information as at 4 November 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 27 September 2016.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 4 November 2016, 44% 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 Four 2016/17 audit providing assurance to the Audit Committee have been finalised since the September meeting of this Committee. All final audit reports are available to Members on request.

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit Title** | **Date of Issue** | **Assurance Level** | **Number and Priority of Recommendations** |
| Corporate Credit Cards | Sep ‘16 | Substantial | Two medium  One merits attention |
| DFG Capital Grant Certification | Sep ‘16 | N/A | N/A |
| Beat the Killer Cold | Nov ‘16 | Substantial | N/A |
| NDR | Nov ‘16 | Full | None |

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 November 2016, with full details given in appendices 3 to 10:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Recommendations made  No. | Implemented | Not yet due | Outstanding  & request made for extended time\* | Percentage implemented  % |
| 2009/10 | 144 | 142 | 0 | 2 | 99% |
| 2010/11 | 180 | 179 | 1 | 0 | 99% |
| 2011/12 | 102 | 99 | 0 | 3 | 97% |
| 2012/13 | 36 | 35 | 1 | 0 | 97% |
| 2013/14 | 79 | 78 | 0 | 1 | 99% |
| 2014/15 | 67 | 58 | 6 | 3 | 87% |
| 2015/16 | 29 | 28 | 1 | 0 | 97% |
| 2016/17 | 4 | 0 | 1 | 3 | 0% |

\*or no update provided and the latest target date has passed.

* 1. Since September 2016 Audit Committee, extension to implementation dates have been requested by action owners for 3 recommendations from the 2016/17 Corporate Credit Cards audit.

In respect of the following 12 recommendations, no updates were provided for this meeting of the committee (in seven of these, the latest target date for implementation was 31 October 2016):

|  |  |  |  |
| --- | --- | --- | --- |
| Audit Year | Audit Name | Number of Outstanding Recommendations | Target Dates (2016) |
| 2009/10 | Network Infrastructure | Two | 31 October |
| 2010/11 | IT Remote Working | One | 31 December |
| 2011/12 | IT Project Management | One | 31 October |
| IT Back Up & DR | Two | 31 October |
| 2012/13 | Server Virtualisation | One | 31 December |
| 2013/14 | Cyber Risk | One | 31 October |
| 2014/15 | Benefits | One | 31 December |
| Disaster Recovery | Three | 31 October (one)  31 December (two) |

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 / Deletions:

* None

Changes:

* Six additional days taken from contingency (shared plan) and added to the existing HR Starters and Leavers audit (shared plan) to cover further work agreed in the light of the WBC Task and Finish group lead in this area.

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 (including the   
Shared Services Plan) against the targets that are monitored in year is set out in the table below.

| **Performance Indicator** | **Annual Target** | **Profiled Target to 4 November 2016** | **Actual to 4 November 2016** |
| --- | --- | --- | --- |
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed (excluding unused contingency) | 95% | 50% | 44% |
| **2. Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2015/16 completion and ‘ongoing’ pieces) | 95% | 29%  (7 out of 24 projects to draft) | 25%  (6 out of 24 projects to draft) |
| **3. Client Satisfaction** – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level | 100% | 100% | 100% |
| **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 | | | 3.5 | In fieldwork |
| Council Tax (shared plan) |  |  |  |  | 11 | | Yes | | | 2 | In fieldwork |
| Creditors (shared plan) |  |  |  |  | 9 | | Yes | | | 1 | Terms of reference issued - due to start December 2016 |
| Debtors (shared plan) |  |  |  |  | 10 | | Yes | | | 3 | In fieldwork |
| Main Accounting (shared plan) |  |  |  |  | 12 | | Yes | | | 1 | Terms of reference issued - due to start January 2017 |
| NDR (shared plan) | Full | 0 | 0 | 0 | 12 | | Yes | | | 12 | Final report issued |
| Payroll (shared plan) |  |  |  |  | 12 | | Yes | | | 1 | Terms of reference issued - due to start December 2016 |
| Treasury Management (shared plan) |  |  |  |  | 10 | | Yes | | | 1 | Terms of reference issued - due to start January 2017 |
| Budget Monitoring (shared plan) |  |  |  |  | 8 | | Yes | | | 1 | Terms of reference issued - due to start February 2017 |
| **Operational Audits** | | | | | | | | | | | |
| Green Waste Charging |  |  |  |  | 8 | | Yes | | | 2 | In fieldwork |
| HR Starters & Leavers (shared plan) |  |  |  |  | 16 | | Yes | | | 11.5 | In fieldwork |
| Land Charges |  |  |  |  | 8 | | Yes | | | 0 | Due to start February 2017 |
| Office Services |  |  |  |  | 10 | | Yes | | | 6 | In fieldwork |
| Officer Expenses (shared plan) |  |  |  |  | 12 | | Yes | | | 9.5 | In fieldwork |
| Corporate Credit Cards | Substantial | 0 | 2 | 1 | 8 | | Yes | | | 8 | Final report issued |
| Revenues & Benefits Service – Enforcement Agents Contract (shared plan) |  |  |  |  | 10 | | Yes | | | 3 | In fieldwork |
| Section 106 Agreements | Substantial | 0 | 1 | 0 | 11 | | Yes | | | 11 | Final report issued |
| Beat the Killer Cold | Substantial | - | - | - | 6 | | Yes | | | 6 | Final report issued |
| DFG Capital Grant Certification | N/A | - | - | - | 2 | | Yes | | | 2 | Complete |
| **Procurement** | | | | | | | | | | | |
| Fleet Management / Vehicle Maintenance Contract |  |  |  |  | 12 | Yes | | | | 0.5 | In planning – audit deferred to January 2017 |
| Contract Management |  |  |  |  | 10 | Yes | | | | 8.5 | In fieldwork |
| **Joint Reviews / Shared Learning** | | | | | | | | | | | |
| Shared Learning Newsletters and Summary Themed Reports |  |  |  |  | 2 | N/A | | | | 1 | Ongoing |
| Audit Committee Workshop |  |  |  |  | 1 | N/A | | | | 0 | Due quarter 4 |
| Joint Review - Benchmarking Workshop |  |  |  |  | 2 | No | | | | 0 | Due quarter 4 |
| Joint Reviews |  |  |  |  | 5 | N/A | | | | 0.5 | Ongoing |
| **Counter Fraud** | | | | | | | | | | | |
| Review of Counter-Fraud Arrangements (shared plan) |  |  |  |  | 5 | | Yes | | | 0 | Due to start December 2016 |
| **Risk Management and Governance** | | | | | | | | | | | |  |  |  |  |  |  |  |
| No audits in the plan |  |  |  |  |  | |  | | |  |  |
| **Ad Hoc Advice** | | | | | | | | | | | |
| Ad Hoc Advice |  |  |  |  | 3 | | - | | | 1.5 | Ongoing |
| **IT Audits** | | | | | | | | | | | |
| IT Audits – detail to be determined (shared plan) |  |  |  |  | 20 | | Yes | | | 0.5 | In planning - due quarter 4 |
| **Contingency** | | | | | | | | | | | |
| Unused Contingency  (shared plan) |  |  |  |  | 14 | | - | | | 0 |  |
| **Follow-Up Audits** | | | | | | | | | | | |
| Follow-up of outstanding audit recommendations |  |  |  |  | 11 | | N/A | | | 7 | Ongoing |
| **Strategic Support** | | | | | | | | | | | |
| Head of Internal Audit Opinion 2015/16 |  |  |  |  | 2 | | N/A | | | 2 | Complete |
| External Audit Liaison |  |  |  |  | 1 | | N/A | | | 0.5 | Ongoing |
| Audit Committee |  |  |  |  | 11 | | N/A | | | 7 | Ongoing |
| Monitoring and Client Meetings |  |  |  |  | 12 | | N/A | | | 7 | Ongoing |
| 2017/18 Audit Planning |  |  |  |  | 8 | | N/A | | | 0.5 | Ongoing |
| 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** |  |  |  |  | **141** | | | |  | **79.5** |  |
| **SHARED SERVICES TOTAL** |  |  |  |  | **180** | | | |  | **54.5** |  |
| **COMBINED TOTAL** |  |  |  |  | **321** | | | |  | **134** |  |

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** |  | Corporate Credit Cards  **Final report issued** | Contract Management  **In fieldwork** | Green Waste Charging  **In fieldwork** | Council Tax (shared plan)  **In fieldwork** | NDR (shared plan)  **Final report issued** | Payroll (shared plan)  **Terms of reference issued** | IT Audits (shared plan)  **In planning** | Budget Monitoring (shared plan)  **Terms of reference issued** |  |
| Section 106 Agreements  **Final report issued** | Beat the Killer Cold  **Final report issued** |  |  | HR Starters & Leavers (shared plan)  **In fieldwork** | Office Services\*  **In fieldwork** | Debtors (shared plan)  **In fieldwork** | Benefits (shared plan)  **In fieldwork** | Creditors (shared plan)\*  **Terms of reference issued** | Treasury Management  (shared plan)\*  **Terms of reference issued** | Land Charges |  |
|  |  |  |  |  | Disabled Facilities Grants – Certification  **Complete** |  |  | Main Accounting (shared plan)\*  **Terms of reference issued** | Fleet Management / Vehicle Maintenance Contract\*  **Deferred from May** |  |  |
|  |  |  |  |  | Enforcement Agents Contract – Revenues & Benefits Services (shared plan)\*  **In fieldwork** |  |  | Review of Counter-Fraud Arrangements (shared plan) |  |  |  |

**\*Notes:**

* 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.
* Office Services audit deferred from July to September in view of revised management arrangements.
* Enforcement Agents Contract – Revenues & Benefits Services (shared plan) audit deferred from July to September at Management’s request pending revised management arrangements.
* The following key financial audits have been moved slightly to accommodate external audit reporting requirements:
  + Creditors and Main Accounting audits moved from January to December
  + Treasury Management moved from December to January / February.