Three Rivers District Council
Audit Committee Progress Report
24 July 2018

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report for the period to 6 July 2018 2018
- Agree removal of implemented audit recommendations (Appendices 4 to 7)
- Agree changes to the implementation dates for 8 audit recommendations (paragraph 2.5) for the reasons set out in Appendices 4 to 7
- Note the revised assurance definitions / priority levels

Contents

1. Introduction and Background

<u>Purpose of Report</u>

1.1   This report details:

a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's annual audit plan for 2018/19 as at 6 July 2018.
b) Proposed amendments to the approved 2018/19 Annual Audit Plan.
c) Implementation status of all previously agreed audit recommendations from 2014/15 onwards.
d) An update on performance management information as at 6 July 2018.
e) The revised assurance definitions/priority levels.

<u>Background</u>

1.2   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.

1.3   The 2018/19 Annual Audit Plan was approved by Audit Committee on 15 March 2018.

1.4   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 15 March 2018.

2. Audit Plan Update

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 6 July 2018, 18% of the 2018/19 Audit Plan days had been delivered (calculation excludes unused 'To Be Allocated'). Appendix A provides a status update on each individual deliverable within the audit plan.

2.2   Eleven 2017/18 reports have been finalised since the date of the last Committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Main Accounting	Mar '18	Substantial	None
Budget Monitoring	Mar '18	Full	None
Creditors	Apr '18	Substantial	Two medium One merits attention
Community Infrastructure Levy	May '18	Substantial	Three merits attention
Land Charges	May '18	Substantial	Three merits attention
Safeguarding	May '18	Substantial	One merits attention
CSC (Planning work)	May '18	Substantial	One medium
South Oxhey Initiative	June '18	Full	None
Asset Management	June '18	Full	None
Information Management	July '18	Moderate	Four medium
Treasury Management	July '18	Substantial	Two medium

No 2018/19 reports have yet been finalised.

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 July 2018, with full details given in appendices 4 to 7:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time*	Percentage implemented %
2014/15	67	67	0	0	100%
2015/16	29	28	0	1	97%
2016/17	39	37	0	2	95%
2017/18	28	20	3	5	71%

*Or no update provided.

2.5 Since March 2018 Audit Committee, extension to implementation dates have been requested by action owners for 8 recommendations as follows:

a) One from the 2015/16 Contract Management audit,
b) Two from the 2016/17 Contract Management audit,
c) One from the 2017/18 Follow up of legacy IT audit recommendations & Extended DR Scope,
d) One from the 2017/18 Cyber Security audit,
e) One from the 2017/18 Development Management audit,
f) One from the 2017/18 Creditors audit, and
g) One from the 2017/18 CIL audit.

<u>Proposed 2018/19 Audit Plan Amendments</u>

2.6 There are no amendments to the 2018/19 Audit Plan to bring before this Committee.

<u>Performance against Targets</u>

<u>Reporting of Audit Plan Delivery Progress</u>

2.7 To help the Committee assess the current situation in terms of progress against the projects in the 2018/19 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 2018/19 Annual performance indicators and targets were approved by the SIAS Board in March 2018. 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 6 July 2018	Actual to 6 July 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency).	95%	20% (55 / 275 days)	18% (49.5 / 275 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2015/16 completion and 'ongoing' pieces).	95%	4% (1 out of 24 projects to draft)	4% (1 out of 24 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	100%

Performance Indicator	Annual Target	Profiled Target to 6 July 2018	Actual to 6 July 2018
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A – none yet made in 2018/19

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported in the 2018/19 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.

<u>Revised Assurance Definitions / Priority Levels</u>

2.10 The existing assurance definitions have been replaced with four new assurance levels and definitions to accompany them (see Appendix 3). With respect to the finding priority levels, we have added an additional priority level (Critical) to reflect findings that have an impact at a corporate or strategic level, rather than just at a service or directorate level. These changes will be reflected in all 2018/19 internal audits.

2.11 The changes have been made following extensive research of other public and private sector assurance definitions / finding priorities and general internal audit good practice. It was also a response to client feedback.

2018/19 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)					13	Yes	1	Parameter testing complete – remainder of audit due Q3
Council Tax (shared plan)					12	Yes	0	Allocated
Creditors (shared plan)					9	Yes	0	Allocated
Debtors (shared plan)					9	Yes	0	Allocated
Main Accounting (shared plan)					10	Yes	0	Allocated
NDR (shared plan)					12	Yes	1	Parameter testing complete – remainder of audit due Q3
Payroll (shared plan)					10	Yes	0	Allocated
Treasury Management (shared plan)					5	Yes	0	Allocated
Budget Monitoring (shared plan)					5	Yes	0	Allocated
Operational Audits								
Agency Spend (shared plan)					10	Yes	4	In fieldwork
GDPR Preparedness					12	Yes	11.5	Draft report issued
GDPR – post implementation review					8	Yes	0	Allocated
Performance Management					8	Yes	3	In fieldwork

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Anti-Social Behaviour					6	Yes	0	Allocated
Disabled Facilities Grants					6	Yes	0	Allocated
CIL – spend arrangements					5	Yes	0	Allocated
Communications					8	Yes	0	Allocated
Temporary Accommodation					8	Yes	0.5	In planning
Emergency Planning					5	Yes	0	Allocated
Safeguarding (summer play schemes)					6	Yes	3	In fieldwork
DFG Capital Grant Certification					1	Yes	0	Allocated
Procurement								
No audits planned					0		0	
SIAS Joint Work								
Shared Learning Newsletters					3	N/A	0.5	Through year
Joint Reviews– topics to be determined					2	N/A	0	Allocated
Counter Fraud								
No audits planned					0		0	
Risk Management and Governance								
No audits planned					0		0	
Ad Hoc Advice								

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Ad Hoc Advice					2	N/A	0.5	Through year
IT Audits								
Cyber Security (shared plan)					12	BDO	0	Allocated
IT Operations (shared plan)					20	BDO	0	Allocated
IT Contract Management (shared plan)					15	BDO	0	Allocated
To Be Allocated								
Unused Contingency (shared plan)					0		0	
Follow-Up Audits								
Follow-up of outstanding audit recommendations					10	N/A	2	Through year
Strategic Support								
Head of Internal Audit Opinion 2017/18					2	N/A	2	Complete
External Audit Liaison					1	N/A	0	Through year
Audit Committee					8	N/A	1.5	Through year
Monitoring and Client Meetings					11	N/A	2.	Through year
2019/20 Audit Planning					4	N/A	0	Due quarter 4
SIAS Development					3	N/A	3	Complete
AGS					3	N/A	3	Complete

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
2017/18 Projects Requiring Completion								
2017/18 Projects Requiring Completion (6 days shared plan; 5 days TRDC)	Various				11	N/A	11	Complete
TRDC TOTAL					**127**		**37.5**	
SHARED SERVICES TOTAL					**148**		**12**	
COMBINED TOTAL					**275**		**49.5**	

Key to recommendation priority levels:
H = High
M = Medium
MA = Merits attention

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APPENDIX 2   2018/19 AUDIT PLAN PROJECTED START DATES

Apr	May	Jun	July	Aug	Sept
Revenues & Benefits System Parameter Testing (shared plan)* **Complete**		Safeguarding – Summer Play Schemes **In fieldwork**	Agency Staffing (shared plan) **In fieldwork**	GDPR - PIR	Cyber Security (shared plan)
GDPR Preparedness **Draft report issued**			Performance Management **In fieldwork**	Disabled Facility Grants (DFGs)	Anti-Social Behaviour
			Temporary Accommodation **In planning**	Emergency Planning	DFG Grant Certification

Oct	Nov	Dec	Jan	Feb	Mar
Council Tax (shared plan)	NDR (shared plan)	Treasury Management (shared plan)	Creditors (shared plan)	Budget Monitoring (shared plan)	

## APPENDIX 2   2018/19 AUDIT PLAN PROJECTED START DATES

Oct	Nov	Dec	Jan	Feb	Mar
Debtors (shared plan)	Benefits (shared plan)	CIL	Main Accounting (shared plan)		
	Payroll (shared plan)	Communications	IT Operations (shared plan)		
	IT Contract Mgmt (shared plan)				

*Notes:
- Revenues & Benefits System Parameter Testing work completed in May – remainder of Benefits, NDR and Council Tax work due Q3.

APPENDIX 3   REVISED ASSURANCE DEFINITIONS/PRIORITY LEVELS

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 / Advisory	🟩	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.