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Three Rivers District Council

Audit Committee Progress Report

4 July 2017

Recommendation

Members are recommended to:

* Note the Internal Audit Progress Report for the period to 16 June 2017
* Approve amendments to the Audit Plan as at 16 June 2017
* Agree removal of implemented audit recommendations (Appendices 3 to 8)
* Agree changes to the implementation dates for 8 audit recommendations (paragraph 2.7) for the reasons set out in Appendices 3 to 8

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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 16 June 2017.
  3. Implementation status of all previously agreed audit recommendations from 2010/11 onwards.
  4. An update on performance management information as at 16 June 2017.

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 2017/18 Annual Audit Plan was approved by Audit Committee on 28 March 2017.
  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 28 March 2017.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 16 June 2017, 16% of the 2017/18 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 Twelve 2016/17 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 2016/17 Audit Plan. All final audit reports are available to Members on request.

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit Title** | **Date of Issue** | **Assurance Level** | **Number and Priority of Recommendations** |
| Budget Monitoring | Mar ‘17 | Full | None |
| Contract Management | Mar ‘17 | Moderate | Two medium  Two merits attention |
| Benefits | Mar ‘17 | Substantial | None |
| Debtors | Mar ‘17 | Substantial | None |
| Fleet Management | Mar ‘17 | Full | None |
| Main Accounting | May ‘17 | Substantial | Two medium,  Three merits attention |
| Treasury Management | May ‘17 | Substantial | One medium  One merits attention |
| Council Tax | May ‘17 | Substantial | Two medium |
| Starters and Leavers | May ‘17 | Moderate | Two high,  Five medium |
| Officer Expenses | May ‘17 | Substantial | One medium |
| Enforcement Agents | Jun ‘17 | Substantial | Two medium |
| Counter Fraud Arrangements | Jun ‘17 | Moderate | One medium |

* 1. In addition, an advisory Payroll Consultancy Review was commissioned by Joint Management Board through the Head of Finance. A total of 31.5 days was allocated to cover the scope and depth of the review. The review was concluded in June and this marks closure of the 2016/17 Audit Plan.

2.4 One 2017/18 report has been finalised as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Audit Title** | **Date of Issue** | **Assurance Level** | **Number and Priority of Recommendations** |
| Risk Management | Jun ‘17 | Full | None |

All Priority Audit Recommendations

2.5 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.

2.6 The table below summarises progress in implementation of all outstanding internal audit recommendations at June 2017, with full details given in appendices 3 to 8:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Recommendations made  No. | Implemented | Not yet due | Outstanding  & request made for extended time\* | Percentage implemented  % |
| 2010/11 | 180 | 179 | 1 | 0 | 99% |
| 2011/12 | 102 | 101 | 0 | 1 | 99% |
| 2013/14 | 79 | 78 | 1 | 0 | 99% |
| 2014/15 | 67 | 60 | 4 | 3 | 90% |
| 2015/16 | 29 | 28 | 0 | 1 | 97% |
| 2016/17 | 39 | 22 | 13 | 4 | 56% |

\*or no update provided

* 1. Since March 2017 Audit Committee, extension to implementation dates have been requested by action owners for 8 recommendations as follows:

1. One from the 2011/12 IT Project Management audit,
2. One from the 2014/15 NDR audit,
3. One from the 2014/15 Asset Management audit,
4. One from the 2014/15 Enforcement audit
5. One from the 2015/16 Contract Management audit,
6. One from the 2016/17 Section 106 audit, and
7. Two from the 2016/17 Office Services audit.

2.8 In respect of the one outstanding recommendation from the 2016/17 Corporate Credit cards audit, no update was provided by the ‘action owner’. The target date for this recommendation was 30 April 2017.

Proposed 2017/18 Audit Plan Amendments

2.9 The following amendments to the 2017/18 Audit Plan have been agreed with officers of the Council and are detailed below for Audit Committee approval:

Additions:

* Consultancy review of the effectiveness of the new Starters & Leavers process introduced in quarter 4 of 2016/17. Audit forms part of shared plan and six days taken from the ‘To Be Allocated’ budget (shared plan).
* Preparation of the Annual Governance Statement for the Council. Three days taken from the ‘To Be Allocated’ budget (shared plan).

Changes:

* A further two days added to the shared plan element of ‘Completion of 2016/17 Audits’ to cover extended scope of the Payroll Consultancy Review. Days taken from the ‘To Be Allocated’ budget (shared plan).
* A further 0.5 days added to the Ad-Hoc budget to cover work associated with the annual Pension Certificate sign-off process. Time taken from the ‘To Be Allocated’ budget (shared plan).

Performance against Targets

Reporting of Audit Plan Delivery Progress

2.10 To help the Committee assess the current situation in terms of progress against the projects in the 2017/18 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.

2.11 The 2017/18 Annual performance indicators and targets were approved by the SIAS Board in March 2017. 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 16 June 2017** | **Actual to 16 June 2017** |
| --- | --- | --- | --- |
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed (excluding unused contingency). | 95% | 18% | 16% |
| **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 23 projects to draft) | 9%  (2 out of 23 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 in 2017/18) |

2.12 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.

**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** |
| **Key Financial Systems** | | | | | | | | | | | |
| Benefits (shared plan) |  |  |  |  | 14 | | Yes | | | 1 | Parameter testing complete – remainder of audit due Q3 |
| Council Tax (shared plan) |  |  |  |  | 12 | | Yes | | | 0 |  |
| Creditors (shared plan) |  |  |  |  | 10 | | 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** | | | | | | | | | | | |
| Information Management |  |  |  |  | 10 | | Yes | | | 0.5 | In planning |
| Safeguarding |  |  |  |  | 5 | | Yes | | | 0 |  |
| Customer Service Centre |  |  |  |  | 5 | | Yes | | | 0 |  |
| Community Infrastructure Levy |  |  |  |  | 5 | | Yes | | | 0 |  |
| Licensing |  |  |  |  | 8 | | Yes | | | 0 |  |
| Development Management |  |  |  |  | 8 | | Yes | | | 1 | Terms of reference issued |
| Asset Management |  |  |  |  | 5 | | Yes | | | 0 |  |
| Land Charges |  |  |  |  | 8 | | Yes | | | 0 |  |
| DFG Capital Grant Certification |  |  |  |  | 1 | | Yes | | | 0 |  |
| Starters & Leavers Consultancy Review of new process (shared plan) | N/A | 0 | 0 | 0 | 6 | | Yes | | | 6 | Complete |
| **Procurement** | | | | | | | | | | | |
| The South Oxhey Initiative – Procurement |  |  |  |  | 8 | Yes | | | | 3 | In fieldwork |
| **SIAS Joint Work** | | | | | | | | | | | |
| Shared Learning Newsletters |  |  |  |  | 2 | N/A | | | | 0.5 | Ongoing |
| Joint Reviews– topics to be determined |  |  |  |  | 8 | Yes | | | |  |  |
| **Counter Fraud** | | | | | | | | | | | |
| Local Authority Serious and Organised Crime Checklist (shared plan) |  |  |  |  | 15 | | Yes | | | 0.5 | In planning |
| **Risk Management and Governance** | | | | | | | | | | | |  |  |  |  |  |  |  |
| Risk Management | Full | 0 | 0 | 0 | 6 | | Yes | | | 6 | Final report issued |
| **Ad Hoc Advice** | | | | | | | | | | | |
| Ad Hoc Advice |  |  |  |  | 3.5 | |  | | | 0.5 | Ongoing |
| **IT Audits** | | | | | | | | | | | |
| Follow Up of Legacy IT Audit recommendations (shared plan) |  |  |  |  | 20 | | Yes | | | 0.5 | In planning |
| **To Be Allocated** | | | | | | | | | | | |
| Unused Contingency  (shared plan) |  |  |  |  | 29 | |  | | |  |  |
| **Follow-Up Audits** | | | | | | | | | | | |
| Follow-up of outstanding audit recommendations |  |  |  |  | 10 | | N/A | | | 2.5 | Ongoing |
| **Strategic Support** | | | | | | | | | | | |
| Head of Internal Audit Opinion 2016/17 |  |  |  |  | 2 | | N/A | | | 2 | Complete |
| External Audit Liaison |  |  |  |  | 1 | | N/A | | | 0.5 | Ongoing |
| Audit Committee |  |  |  |  | 8 | | N/A | | | 1.5 | Ongoing |
| Monitoring and Client Meetings |  |  |  |  | 12 | | N/A | | | 2.5 | Ongoing |
| 2018/19 Audit Planning |  |  |  |  | 4 | | N/A | | | 0 | Due Q3 |
| SIAS Development |  |  |  |  | 3 | | N/A | | | 3 | Complete |
| AGS |  |  |  |  | 3 | | N/A | | | 1 | Ongoing |
| **2016/17 Projects Requiring Completion** | | | | | | | | | | | |
| 2016/17 Projects Requiring Completion (7 days shared plan; 5 days TRDC) | Various |  |  |  | 12 | | | | N/A | 12 | Complete |
|  | | | | | | | | | | | |
| **TRDC TOTAL** |  |  |  |  | **130.5** | | | |  | **29.5** |  |
| **SHARED SERVICES TOTAL** |  |  |  |  | **177** | | | |  | **16** |  |
| **COMBINED TOTAL** |  |  |  |  | **307.5** | | | |  | **45.5** |  |

Key to recommendation priority levels:

H = High

M = Medium

MA = Merits attention

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Apr** | **May** | **Jun** | **July** | **Aug** | **Sept** |
| Revenues & Benefits Parameter Testing (shared plan)**\***  **Complete** | Follow up of legacy IT Audit Recommendations  (shared plan)  **In planning** | Information Management  **In planning** | Local Authority Serious and Organised Crime Checklist  (shared plan)  **In planning** | Development Management  **Terms of Reference Issued** | Licensing |
|  | The South Oxhey Initiative - Procurement  **In fieldwork** | Risk Management  **Final report issued** | Land Charges |  | DFG Grant Certification |

| **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** |
| --- | --- | --- | --- | --- | --- |
| Council Tax  (shared plan) | NDR  (shared plan) | Creditors  (shared plan) | Joint Reviews | Budget Monitoring (shared plan) |  |
| Debtors  (shared plan) | Benefits  (shared plan) | Main Accounting  (shared plan) | Treasury Management  (shared plan) |  |  |
| Safeguarding | Payroll  (shared plan) | Community Infrastructure Levy | Asset Management |  |  |

**\*Notes:**

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