

Three Rivers District Council  
Audit Committee Progress Report  
23 March 2021

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 12 March 2021
- Approve amendments to the Audit Plan as at 12 March 2021
- Agree changes to the implementation dates for 3 audit recommendations (paragraph 2.6) for the reasons set out in Appendices 3 to 5
- Agree removal of implemented audit recommendations (Appendices 3 to 5)

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# 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 2020/21 as at 12 March 2021.
  - b) Proposed amendments to the approved 2020/21 Annual Audit Plan.
  - c) Implementation status of all previously agreed audit recommendations from 2018/19 onwards.
  - d) An update on performance management information as at 12 March 2021.

## Background

- 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 2020/21 Annual Audit Plan was approved by Audit Committee on 24 March 2020.
- 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 11 November 2020.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 12 March 2021, 80% of the 2020/21 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 The following 2020/21 reports have been finalised since November 2020 Audit Committee.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Creditors	Nov '20	Good	None

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Cyber Security	Mar '21	Satisfactory	One medium
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2.3 During the year in response to COVID, one member of the SIAS team was redeployed to work with the Revenues and Benefits team for just over a month. This was non-audit work and involved contacting Housing Benefit claimants who had not previously used the self-service facility in order to support and assist them in signing-up for this option.

#### All Priority Audit Recommendations

2.4 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.

2.5 The table below summarises progress in implementation of all outstanding internal audit recommendations at 12 March 2021, with full details given in appendices 3 to 5:

Year	Recommendations made No.	Implemented	Not yet due	Outstanding & request made for extended time or no update provided	Percentage implemented %
2018/19	38	36	0	2	95%
2019/20	37	29	4	4	78%

2.6 Since November 2020 Audit Committee, extension to implementation dates have been requested by action owners for 3 recommendations as follows:

- a) One from the 2018/19 Benefits audit,
- b) One from the 2019/20 Taxi Licensing audit, and
- c) One from the 2019/20 Development Management audit.

2.7 In respect of three recommendations, no progress update was received from action owners as follows:

- a) One from the 2018/19 GDPR audit, and
- b) Two from the 2019/20 Risk Management audit.

#### Proposed 2020/21 Audit Plan Amendments

2.8 A new COVID Assurance audit has been added to the plan and will focus on the Council's response in relation to governance

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arrangements (decision making, delegated authority, committee meetings, etc) and health and safety matters (making premises and operations compliant with Government guidance). The time has been taken from the contingency budget.

### Performance against Targets

#### Reporting of Audit Plan Delivery Progress

- 2.9 To help the Committee assess the current situation in terms of progress against the projects in the 2020/21 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.
- 2.10 The 2020/21 Annual performance indicators and targets were approved by the SIAS Board in March 2020. 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.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 12 March 2021</b>	<b>Actual to 12 March 2021</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency).	95%	85% (185 / 218 days)	80% (173.5 / 218 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects (excludes 2018/19 completion and 'ongoing' pieces).	95%	78% (14 out of 18 projects to draft)	56% (10 out of 18 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%	100% (3 made in finalised 2019/20 audit)

- 2.11 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported in the 2020/21 Head of Assurance's Annual Report:

- **5. 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.

- **6. Head of Assurance’s Annual Report** – presented at the Audit Committee’s first meeting of the civic year.

Proposed Changes to SIAS Audit Opinions and Definitions

- 2.12 As Audit Committee Members will be aware, all formal internal audit assignments result in a published report. The primary purpose of the report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.
- 2.13 SIAS currently uses a range of four assurance opinions within internal audit reports, these being Good Assurance, Satisfactory Assurance, Limited Assurance and No Assurance.
- 2.14 In April 2020, within their publication “Internal Audit Engagement Opinions – Setting Common Definitions”, CIPFA recommended that a standard range of opinions and definitions were used by Internal Audit teams within the intention of:
- Increasing confidence amongst audit committee members and managers that the engagement opinion issued is consistently applied.
  - Assist the sharing, comparability and understanding of assurances across public bodies.
  - Supporting audit committee members and senior managers in their understanding of audit reports, in particular those that sit on more than one public sector audit committee, or in respect of partnerships and joint ventures.
  - Supporting the training of internal audit staff, helping to drive up the quality and consistency of audit opinions, and facilitate staff moving across different internal audit teams.
  - Reducing disruption when changing internal audit provider.
- 2.15 CIPFA provided the following four assurance opinions and definitions.

<b>Assurance Level</b>	<b>Definition</b>
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

- 2.16 Within their conclusions, CIPFA recommended that all Heads of Internal Audit within public sector organisations adopted the above change, with those organisations not adopting the change disclosing the basis for this within their annual report.
- 2.17 In respect of implementing the above changes, this is seen as a minor adjustment to the existing SIAS ratings, given SIAS already adopt a four-tier rating with very similar definitions. The main change would therefore be replacing Good and Satisfactory Assurance with the new ratings of Substantial and Reasonable Assurance.
- 2.18 SIAS will be adopting the above change for all final reports issued from 1 April 2021, with the exception of any draft reports already issued to management prior to new financial year.
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**APPENDIX 1 INTERNAL AUDIT PLAN 2020/21 – UPDATE ON POSITION AS AT 12 MARCH 2021**

**2020/21 SIAS Audit Plan**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
<b>Key Financial Systems</b>									
Benefits (shared services plan)						12	Yes	8	In Fieldwork
Budget Monitoring (shared services plan)						6	Yes	2	In Fieldwork
Council Tax (shared services plan)						10	Yes	9.5	Draft Report Issued
Creditors (shared services plan)	Good	0	0	0	0	9	Yes	9	Final Report Issued
Debtors (shared services plan)						10	Yes	9.5	Draft Report Issued
Main Accounting (shared services plan)						8	Yes	4	In Fieldwork
NDR (shared services plan)						10	Yes	6	In Fieldwork
Payroll (shared services plan)						12	BDO	11.5	Draft Report issued
Revenues and Benefits Parameter Testing (shared services plan)	-	-	-	-	-	0	-	0	Cancelled
Treasury Management (shared services plan)						6	Yes	5.5	Draft Report Issued
<b>Operational Audits</b>									
Business Continuity Planning	-	-	-	-	-	0	-	0	Cancelled
Climate Change and Sustainability						7	BDO	5	In Fieldwork
Complaints, Compliments & Comments (3Cs)	-	-	-	-	-	0	-	0	Cancelled
DFG Capital Grant Certification						2	Yes	2	Complete
Equalities and Diversity	-	-	-	-	-	0	-	0	Cancelled



**APPENDIX 1 INTERNAL AUDIT PLAN 2020/21 – UPDATE ON POSITION AS AT 12 MARCH 2021**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
Freedom of Information						8	Yes	5	In Fieldwork
Garage Income	Satisfactory	0	0	1	0	10	Yes	10	Final Report Issued
Garden Waste Charging	Satisfactory	0	0	1	0	10	Yes	10	Final Report Issued
Homelessness Reduction Act						10	Yes	6	In Fieldwork
Revenues and Benefits Payments (shared services plan)						10	Yes	9.5	Draft Report Issued
Section 106	-	-	-	-	-	0	-	0	Cancelled
Watersmeet Theatre Bar	-	-	-	-	-	0	-	0	Cancelled
COVID Assurance						12	BDO	1	In Planning
<b>Shared Learning / Joint Reviews</b>									
Shared Learning Newsletters						2		0	
Joint Reviews						3		0	
<b>Counter Fraud</b>									
No audits planned						0		0	
<b>Risk Management and Governance</b>									
No audits planned						0		0	
<b>Ad Hoc Advice</b>									
Ad Hoc Advice						1		0	
<b>IT Audits</b>									
Cyber Security						12	BDO	11.5	Draft Report issued

**APPENDIX 1 INTERNAL AUDIT PLAN 2020/21 – UPDATE ON POSITION AS AT 12 MARCH 2021**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
(shared services plan)									
IT Policies and Procedures (shared services plan)	-	-	-	-	-	0	-	0	Cancelled
<b>To Be Allocated</b>									
Unused Contingency (shared services plan)						21		0	
<b>Follow-Up Audits</b>									
Follow-up of outstanding audit recommendations						10		7.5	Through Year
<b>Strategic Support</b>									
2021/22 Audit Planning						5		5	Complete
Annual Governance Statement						3		3	Complete
Audit Committee						11		10.5	Through Year
External Audit Liaison						1		1	Complete
Head of Internal Audit Opinion 2019/20						2		2	Complete
Monitoring and Client Meetings						9		8.5	Through Year
SIAS Development						3		3	Complete
<b>2019/20 Projects Requiring Completion</b>									
2019/20 Projects Requiring Completion (3 days TRDC plan / 5 days shared)						8		8	Complete

**APPENDIX 1 INTERNAL AUDIT PLAN 2020/21 – UPDATE ON POSITION AS AT 12 MARCH 2021**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	L				
services plan)									
<b>TRDC TOTAL</b>						<b>107</b>		<b>82.5</b>	
<b>SHARED SERVICES TOTAL</b>						<b>132</b>		<b>91</b>	
<b>COMBINED TOTAL</b>						<b>239</b>		<b>173.5</b>	

Key to recommendation priority levels:

C = Critical

H = High

M = Medium

L = Low

**APPENDIX 2 2020/21 AUDIT PLAN PROJECTED START DATES**

<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>
		Garden Waste Charging <b>Final Report Issued</b>	Garage Income <b>Final Report Issued</b>		DFG Grant Certification <b>Complete</b>
					NDR (shared services plan) <b>In Fieldwork</b>
					Revenues and Benefits Payments (shared services plan)* <b>Draft Report Issued</b>

**APPENDIX 2 2020/21 AUDIT PLAN PROJECTED START DATES**

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<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Debtors (shared services plan) <b>Draft Report Issued</b>	Council Tax (shared services plan) <b>Draft Report Issued</b>	Benefits (shared services plan) <b>In Fieldwork</b>	Main Accounting (shared services plan) <b>In Fieldwork</b>	Budget Monitoring (shared services plan) <b>In Fieldwork</b>	COVID Assurance <b>In Planning</b>
Creditors (shared services plan) <b>Final Report Issued</b>	Payroll (shared services plan) <b>Draft Report Issued</b>	Climate Change and Sustainability <b>In Fieldwork</b>	Treasury Management (shared services plan) <b>Draft Report Issued</b>	Freedom of Information <b>In Fieldwork</b>	
		Cyber Security (shared services plan) <b>Draft Report Issued</b>	Homelessness Reduction Act <b>In Fieldwork</b>		

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