



East Herts Council  
Audit and Governance Committee  
SIAS Progress Report  
25 January 2017

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report;
- Approve amendments to the Audit Plan as at 6 January 2017; and
- Note the status of high priority recommendations.

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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 2016/17 as at 6 January 2017.
  - b) Proposed amendments to the approved 2016/17 Audit Plan.
  - c) Implementation status of previously agreed high priority audit recommendations.
  - d) An update on performance management information as at 6 January 2017.

## Background

- 1.2 The 2016/17 Audit Plan was approved by the Audit Committee on 16 March 2016.
- 1.3 The Audit and Governance Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to the Committee on 21 September 2016.
- 1.4 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. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 6 January 2017, 64% of the 2016/17 Audit Plan days had been delivered (calculation excludes unused contingency). Appendix A provides a status update on each individual project within the audit plan.

2.2 Six projects from the 2016/17 Audit Plan have been finalised since the September 2016 meeting of the Audit and Governance Committee.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
BACS	Sep '16	N/A	The objective of this review was to comment on Management's view of the controls at each key stage of the planned installation of Paygate software for processing BACS payments. Although not a traditional assurance review, SIAS reported on further control enhancements that management may wish to incorporate in the revised process.
Cyber Risk	Nov '16	Moderate	Three medium Two merits attention
Benefits	Dec '16	Full	None
Enviro Crime	Dec '16	Substantial	Four merits attention
Debtors CRSA	Jan '17	Full	None
Creditors CRSA	Jan '17	Full	None

#### High Priority Recommendations

2.3 A final audit report is issued when agreed by management; this includes an agreement to implement recommendations that have been made. It is SIAS's responsibility to bring to the attention of Members the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

- 2.4 The current position in respect of previously agreed outstanding high priority recommendations is shown at Appendix B.

#### Proposed Audit Plan Amendments

- 2.5 Since the September 2016 meeting of the Audit and Governance Committee, the following changes to the 2016/17 Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:

#### Deleted Audits (days returned to contingency):

- Development Management – pre applications (5 days)  
The revised process has not yet been introduced and is now expected to commence in April 2017. An audit of the revised process will be considered for inclusion in the 2017/18 Audit Plan as part of the planning process.
- New Payroll Contract – controls assurance (4 days)  
A consultant with extensive experience of payroll system implementations (including the new system procured) has been employed and with additional in-house support from payroll, finance and projects, internal audit input is not required at this stage.
- Land Drainage Contract (5 days)  
Procurement will not be sufficiently advanced for assurance provision in 2016/17.
- Joint Review - Community Infrastructure Levy (2 days)  
CIL has yet to be adopted and therefore no assurance provision is currently required. An audit in this area will be considered for inclusion in the 2017/18 Audit Plan.
- Follow up fraud related themes (5 days)  
No clear themes have emerged at this stage. This will be considered for inclusion in the 2017/18 Audit Plan.

#### Change to an Existing Audit (days returned to contingency):

- Internet and Email Usage  
A total of 8 days is deemed sufficient for this audit (4 days each for EHC and SBC as this is a shared IT audit) rather than the original budget of 16 days in total

(8 days for each council). This allows the return of 4 days to contingency for a new IT audit (see below).

New Audits (days allocated from contingency):

- Digital Information Management (4 days)  
New audit added within the shared IT service with SBC.

### Performance Management

- 2.6 Annual performance indicators and associated targets were approved by the SIAS Board in March 2015 and are reviewed annually.
- 2.7 As at 6 January 2017 actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 6 January 2017</b>	<b>Actual to 6 January 2017</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	70%	64%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	52% (16 of 31 projects to draft)	45% (14 of 31 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</b>	95%	95%	None yet made in

<b>Recommendations agreed</b>			2016/17
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2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 Head of Assurance's Annual Report:

- **5. External Auditor's 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 and Governance 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 and Governance Committee's first meeting of the civic year.

**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 6 JANUARY 2017**

**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				
<b>Key Financial Systems</b>								
Asset Management					12	Yes	2	In fieldwork
Benefits	Full	0	0	0	12	Yes	12	Final report issued
Council Tax					10	Yes	9.5	Draft report issued
Creditors (CRSA Year 1)	Full	0	0	0	10	Yes	10	Final report issued
Debtors (CRSA Year 1)	Full	0	0	0	10	Yes	10	Final report issued
Main Accounting					12	Yes	3	In fieldwork
NDR					10	Yes	8	In fieldwork
Payroll					12	Yes	7	In fieldwork
Payroll Certificate					1	Yes	1	Complete
Treasury (CRSA Year 2)					6	Yes	2.5	In fieldwork
<b>Operational Audits</b>								
Absence Management					10	BDO	1.5	Terms of reference issued
BACS	N/A	-	-	-	6	Yes	6	Final report issued
Car Parks – New pay & display machines					10	Yes	2	In fieldwork
Cash and Banking	Full	0	0	0	12	Yes	12	Final report issued
Consultants					10	Yes	9.5	Draft report issued
Development Management –					1	N/A	1	Cancelled



**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 6 JANUARY 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
pre applications								
Digital by Default					18	BDO	1	In planning
Elections					10	Yes	4.5	In fieldwork
Enviro Crime	Substantial	0	0	4	15	Yes	15	Final report issued
Freedom of Information	Substantial	0	0	3	10	Yes	10	Final report issued
Health & Safety					12	Yes	10	In fieldwork
Land Charges					8	Yes	1	In planning
Project Management / Benefits Realisation					12	Yes	11.5	Draft report issued
Safeguarding					15	Yes	2	Terms of reference issued – due to start February
Tree Surveying					12	Yes	1.5	Terms of reference issued – due to start February
DFG Capital Grant Certification	N/A	-	-	-	2	Yes	2	Complete
<b>Procurement</b>								
New Payroll Contract – controls assurance					1	N/A	1	Cancelled
Trade / Clinical Waste					12	Yes	11.5	Draft report issued
Land Drainage Contract					3	N/A	3	Cancelled

**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 6 JANUARY 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>IT Audits</b>								
Internet and Email Usage					4	BDO	0.5	In planning
Cyber Risk	Moderate	0	3	2	8	Yes	8	Final report issued
Digital Information Management					4	BDO	0.5	In planning
<b>Shared Learning</b>								
Shared Learning Newsletters and Summary Themed Reports					5	N/A	4	Ongoing
Joint Review – Local authority Trading					5	BDO	0.5	Terms of reference issued – due to start February
Joint Review - PREVENT					5	BDO	0.5	Terms of reference issued – due to start February
Joint Review – CIL					0	N/A	0	Cancelled
<b>Risk Management</b>								
No audits in the plan					0	N/A	0	
<b>Anti-Fraud</b>								
Follow up fraud related themes					0	N/A	0	Cancelled
<b>Strategic Support</b>								
2017/18 Audit Planning					10	N/A	2.5	Ongoing

**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 6 JANUARY 2017**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Audit Committee					15	N/A	10	Ongoing
Client Liaison					10	N/A	7.5	Ongoing
Liaison with External Audit					1	N/A	0.5	Ongoing
Head of Internal Audit Opinion 2015/16					5	N/A	5	Complete
Progress Monitoring					10	N/A	7.5	Ongoing
SIAS Development					5	N/A	5	Complete
<b>Contingency</b>								
Unused Contingency					19	N/A	0	
<b>Follow Ups</b>								
Follow up of high priority recommendations					5	N/A	4	Ongoing
<b>2015/16 Projects requiring completion</b>								
Various					15	N/A	15	Complete
<b>EHC TOTAL</b>					<b>400</b>		<b>242</b>	

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (December 2016)
1.	Business Continuity Planning (01/10/13)	<p>All departmental business continuity plans and resource recovery questionnaires should be reviewed to ensure they are complete, contain a sufficient level of detail, and have been reviewed and approved by appropriate members of staff.</p> <p>In addition to this, a periodic rolling programme of disaster recovery testing (at minimum requiring some</p>	<p>Now that the Shared ICT service is in place and IT business continuity arrangements are being taken forward then this action will also move forward at the same time.</p> <p>Information captured by services in their Business Recovery Plans will be reviewed in</p>	Director	30 June 2014	<p><u>March 2016</u> Critical services have completed resource requirement questionnaires and the plan has been updated. Graduate trainee has been allocated to assist the project completion this financial year. Test is planned for March / April 2016</p> <p><u>May 2016</u> Critical services have completed resource requirement</p>	Partially implemented – continue to monitor

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		downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the BCPs.	line with the new ICT solution referred to in Recommendation 2. A provisional schedule for testing recovery plans will be established and reviewed annually. Testing will take place in line with the established schedule.			<p>questionnaires and the plan has been updated. There are some suspected weaknesses in the plan that will be brought out through running a test scenario. HCC Resilience Team will organise once all new EHC senior managers are in place.</p> <p>Revised to 30 September 2016.</p> <p><u>August 2016</u> Critical services will be required to</p>	

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (December 2016)
						<p>recomplete questionnaires and prepare their plans to reflect the restructure.</p> <p>Revised to 31 December 2016.</p> <p><u>December 2016</u> The corporate Business Continuity Plan was completed and tested on 31 October 2016. Further testing of the plan and process will take place in the summer of 2017.</p>	

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (December 2016)
						<p>Services are currently preparing their own plans. A number have completed and the remainder will follow in January 2017, enabling reporting to Executive Members in February 2017.</p> <p>Revised to February 2017.</p>	
2.	Business Continuity Planning (01/10/13)	Once the actions related to findings 1 and 2 have been completed, the Council needs to get the Business	Now that the Shared ICT service is in place and IT business continuity	Director	31 March 2014	<p><u>March 2016</u> Statement of intent from Directors is included in the plan. Director of Finance &amp; Support</p>	Partially implemented – continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (December 2016)
		<p>Continuity Plan formally approved and signed off, so that it can be distributed to the relevant members of staff.</p> <p>In addition to this, key stakeholders need to meet and agree on comprehensive roles and responsibilities with regard to business continuity planning, and these responsibilities should be documented within</p>	<p>arrangements are being taken forward then this action will also move forward at the same time.</p>			<p>Services has instructed project completion this financial year. Gold command updated to reflect staffing changes.</p> <p><u>May 2016</u> Statement of intent from Directors is included in the plan. Risk Assurance Officer has produced an initial Business Continuity framework that can be adjusted as and when needed. Finalisation and</p>	



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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (December 2016)
		the plan.				<p>sign off will follow on from the test.</p> <p>Revised to 30 September 2016.</p> <p><u>August 2016</u> As above, sign-off and finalisation will follow on from test which has been postponed from 22 September to 31 October 2016.</p> <p>Revised to 31 October 2016.</p> <p><u>December 2016</u> The plan will be formally signed off</p>	

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments (last 12 months)	SIAS Comment (December 2016)
						<p>when the service updates (appendices) are complete. The Plan has already been circulated to Leadership Team, and contacts agreed and placed on a secure page of the intranet to improve resilience.</p> <p>Revised to February 2017.</p>	

## APPENDIX C AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Certificate <b>Complete</b>	Trade / Clinical Waste <b>Draft report issued</b>	Project Management / Benefits Realisation <b>Draft report issued</b>	Consultants <b>Draft report issued</b>	Enviro Crime <b>Final report issued</b>	Tree Surveying <b>Terms of reference issued</b>	Council Tax <b>Draft report issued</b>	Treasury Mgmt <b>In fieldwork</b>	Debtors <b>Final report issued</b>	Creditors <b>Final report issued</b>	Land Charges <b>In planning</b>	
BACS <b>Final report issued</b>		Cash and Banking <b>Final report issued</b>			Car Parks – New pay & display machines <b>In fieldwork</b>	Benefits <b>Final report issued</b>	Payroll <b>In fieldwork</b>	Asset Mgmt <b>In fieldwork</b>	Internet & Email Usage <b>In planning</b>		
FOI <b>Final report issued</b>		Cyber Risk <b>Final report issued</b>			Disabled Facilities Grant Certification <b>Complete</b>	NDR <b>In fieldwork</b>	Digital by Default <b>In planning</b>	Main Accounting System <b>In fieldwork</b>	Digital Information Management <b>In planning</b>		

## APPENDIX C AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

						Health & Safety* In fieldwork	Safeguarding* Terms of reference issued	Elections* In fieldwork			
							Absence Management Terms of reference issued				

### \*Notes

- Health & Safety audit deferred from May to October at Management's request in view of the absence of the main contact officer.
- Safeguarding audit deferred from July to November at Management's request in view of the revised management arrangements.
- Elections audit deferred from August to December at Management's request in view of other service priorities.