East Herts Council
Audit and Governance Committee
SIAS Progress Report
22 March 2017


Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report;
- Approve amendments to the Audit Plan as at 3 March 2017; and
- Note the status of high priority recommendations and agree removal of completed actions.

# Contents

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 3 March 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
      3 March 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 25 January
       2017.

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 3 March 2017, 90% 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   Nine projects from the 2016/17 Audit Plan have been finalised since the deadline date for the January 2017 meeting of the Audit and Governance Committee.

| Audit Title | Date of Issue | Assurance Level | Number and Priority of Recommendations |
|---|---|---|---|
| Council Tax | Jan '17 | Substantial | One medium<br>One merits attention |
| NDR | Jan '17 | Substantial | Three medium |
| Health & Safety | Feb '17 | Substantial | Two medium<br>One merits attention |
| Main Accounting | Feb '17 | Full | None |
| Trade and Clinical Waste | Feb '17 | Substantial | Two medium |
| Internet and Email | Feb '17 | Substantial | Two medium |
| Car Parks – New Pay & Display Machines | Feb '17 | Substantial | One medium<br>One merits attention |
| Treasury Management | Mar '17 | Full | None |
| Project Management & Benefits Realisation | Mar '17 | Moderate | Six medium<br>Two merits attention |

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.  There are no high priority recommendations arising from the audits finalised since the deadline date for the January 2017 audit committee meeting.

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

<u>Proposed Audit Plan Amendments</u>

2.5   Since the January 2017 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):

- <u>Digital by Design (16 days)</u>
  Audit deferred to 2017/18 to align with progress on the Digital East Herts programme

<u>Performance Management</u>

2.6   Annual performance indicators and associated targets were approved by the SIAS Board in March 2016 and are reviewed annually.

2.7   As at 3 March 2017 actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

| Performance Indicator | Annual Target | Profiled Target to 3 March 2017 | Actual to 3 March 2017 |
|---|---|---|---|
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed (excluding unused contingency) | 95% | 92% | 90% |
| **2. Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects | 95% | 77% (23 of 30 projects to draft) | 70% (21 of 30 projects to draft) |
| **3. Client Satisfaction** | 100% | 100% | 100% |

| | | | |
|---|---|---|---|
| – percentage of client satisfaction questionnaires returned at 'satisfactory' level | | | |
| **4. Number of High Priority Audit Recommendations agreed** | 95% | 95% | None yet made in 2016/17 |

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.

## 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** | | | | | | | | |
| Asset Management | | | | | 12 | Yes | 8.5 | In fieldwork |
| Benefits | Full | 0 | 0 | 0 | 12 | Yes | 12 | Final report issued |
| Council Tax | Substantial | 0 | 1 | 1 | 10 | Yes | 10 | Final 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 | Full | 0 | 0 | 0 | 12 | Yes | 12 | Final report issued |
| NDR | Substantial | 0 | 3 | 0 | 10 | Yes | 10 | Final report issued |
| Payroll | | | | | 12 | Yes | 10.5 | In fieldwork |
| Payroll Certificate | N/A | - | - | - | 1 | Yes | 1 | Complete |
| Treasury (CRSA Year 2) | Full | 0 | 0 | 0 | 6 | Yes | 6 | Final report issued |
| **Operational Audits** | | | | | | | | |
| Absence Management | | | | | 10 | BDO | 9 | In quality review |
| BACS | N/A | - | - | - | 6 | Yes | 6 | Final report issued |
| Car Parks – New pay & display machines | Substantial | 0 | 1 | 1 | 10 | Yes | 10 | Final report issued |
| Cash and Banking | Full | 0 | 0 | 0 | 12 | Yes | 12 | Final report issued |
| Consultants | | | | | 10 | Yes | 9.5 | Draft report issued |
| Development Management – pre applications | - | - | - | - | 1 | N/A | 1 | Cancelled |
| Digital by Default | - | - | - | - | 2 | N/A | 2 | Cancelled |
| Elections | | | | | 10 | Yes | 4.5 | In fieldwork |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|---|
| | | H | M | MA | | | | |
| 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 | Substantial | 0 | 2 | 1 | 12 | Yes | 12 | Final report issued |
| Land Charges | | | | | 8 | Yes | 3.5 | In fieldwork |
| Project Management / Benefits Realisation | Moderate | 0 | 6 | 2 | 12 | Yes | 12 | Final report issued |
| Safeguarding | | | | | 15 | Yes | 8 | In fieldwork |
| Tree Surveying | | | | | 12 | BDO | 10.5 | In quality review |
| DFG Capital Grant Certification | N/A | - | - | - | 2 | Yes | 2 | Complete |
| **Procurement** | | | | | | | | |
| New Payroll Contract – controls assurance | - | - | - | | 1 | N/A | 1 | Cancelled |
| Trade / Clinical Waste | Substantial | 0 | 2 | 0 | 12 | Yes | 12 | Final report issued |
| Land Drainage Contract | - | - | - | - | 3 | N/A | 3 | Cancelled |
| **IT Audits** | | | | | | | | |
| Internet and Email Usage | Substantial | 0 | 2 | 0 | 4 | BDO | 4 | Final report issued |
| Cyber Risk | Moderate | 0 | 3 | 2 | 8 | Yes | 8 | Final report issued |
| Digital Information Management | | | | | 4 | BDO | 3.5 | Draft report issued |
| **Shared Learning** | | | | | | | | |
| Shared Learning Newsletters and Summary Themed Reports | | | | | 5 | N/A | 4.5 | Ongoing |
| Joint Review – Local authority Trading | | | | | 5 | BDO | 1 | In fieldwork |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|---|
| | | H | M | MA | | | | |
| Joint Review - PREVENT | | | | | 5 | BDO | 2 | In fieldwork |
| Joint Review – CIL | | | | | 0 | N/A | 0 | Cancelled |
| **Risk Management** | | | | | | | | |
| No audits in the plan | | | | | 0 | N/A | 0 | |
| **Anti-Fraud** | | | | | | | | |
| Follow up fraud related themes | | | | | 0 | N/A | 0 | Cancelled |
| **Strategic Support** | | | | | | | | |
| 2017/18 Audit Planning | | | | | 10 | N/A | 9 | Ongoing |
| Audit Committee | | | | | 15 | N/A | 14 | Ongoing |
| Client Liaison | | | | | 10 | N/A | 9 | Ongoing |
| Liaison with External Audit | | | | | 1 | N/A | 1 | Complete |
| Head of Internal Audit Opinion 2015/16 | | | | | 5 | N/A | 5 | Complete |
| Progress Monitoring | | | | | 10 | N/A | 9.5 | Ongoing |
| SIAS Development | | | | | 5 | N/A | 5 | Complete |
| **Contingency** | | | | | | | | |
| Unused Contingency | | | | | 35 | N/A | 0 | |
| **Follow Ups** | | | | | | | | |
| Follow up of high priority recommendations | | | | | 5 | N/A | 5 | Complete |
| **2015/16 Projects requiring completion** | | | | | | | | |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|---|
| | | H | M | MA | | | | |
| Various | | | | | 15 | N/A | 15 | Complete |
| | | | | | | | | |
| **EHC TOTAL** | | | | | **400** | | **328.5** | |

**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 (March 2017) |
|---|---|---|---|---|---|---|---|
| 1. | Business Continuity Planning (01/10/13) | 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.<br><br>In addition to this, a periodic rolling programme of disaster recovery testing (at minimum requiring some downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the | 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.<br><br>Information captured by services in their Business Recovery Plans will be reviewed in line with the new ICT solution referred to in Recommendation 2. A provisional schedule for testing recovery | Director | 30 June 2014 | **May 2016**<br>Critical services have completed resource requirement 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.<br><br>Revised to 30 September 2016.<br><br>**August 2016**<br>Critical services will be required to recomplete questionnaires and | Implemented – remove from list |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Original Target Date | Management Comments (last 12 months) | SIAS Comment (March 2017) |
|---|---|---|---|---|---|---|---|
| | | BCPs. | plans will be established and reviewed annually. Testing will take place in line with the established schedule. | | | prepare their plans to reflect the restructure.<br><br>Revised to 31 December 2016.<br><br>December 2016<br>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. 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. | |

**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 (March 2017) |
|---|---|---|---|---|---|---|---|
| | | | | | | Revised to February 2017.<br><br>February 2017<br>Plan tested on 31 October 2016. Further test proposed for June 2017, to include information cascades that have been implemented. Future tests will be scheduled every six to twelve months.<br><br>All services prepared continuity plans and resource questionnaires ahead of Leadership Team 6 February 2017. | |
| 2. | Business Continuity Planning | Once the actions related to findings 1 and 2 have been | Now that the Shared ICT service is in place | Director | 31 March 2014 | May 2016<br>Statement of intent from Directors is | Implemented – remove from list |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Original Target Date | Management Comments (last 12 months) | SIAS Comment (March 2017) |
|---|---|---|---|---|---|---|---|
| | (01/10/13) | completed, the Council needs to get the Business Continuity Plan formally approved and signed off, so that it can be distributed to the relevant members of staff.<br><br>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 the plan. | and IT business continuity arrangements are being taken forward then this action will also move forward at the same time. | | | included in the plan. Risk Assurance Officer has produced an initial Business Continuity framework that can be adjusted as and when needed. Finalisation and sign off will follow on from the test.<br><br>Revised to 30 September 2016.<br><br>August 2016<br>As above, sign-off and finalisation will follow on from test which has been postponed from 22 September to 31 October 2016.<br><br>Revised to 31 October 2016. | |

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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 (March 2017) |
|---|---|---|---|---|---|---|---|
| | | | | | | <u>December 2016</u><br>The plan will be formally signed off 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.<br><br>Revised to February 2017.<br><br><u>February 2017</u><br>Business Continuity Plan signed off at Leadership Team on 6 February 2017. (Plan includes details of roles and responsibilities). | |

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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 (March 2017) |
|---|---|---|---|---|---|---|---|
| | | | | | | Distributed to appropriate staff and placed on intranet.<br><br>Promotion at emergency planning volunteering event on 7 March 2016. Briefing for Executive Members scheduled for 21 March 2017. | |

# 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<br><br>**Complete** | Trade / Clinical Waste<br><br>**Final report issued** | Project Management / Benefits Realisation<br><br>**Final report issued** | Consultants<br><br>**Draft report issued** | Enviro Crime<br><br>**Final report issued** | Tree Surveying<br><br>**In quality review** | Council Tax<br><br>**Final report issued** | Treasury Mgt<br><br>**Final report issued** | Debtors<br><br>**Final  report issued** | Creditors<br><br>**Final report issued** | Land Charges<br><br>**In fieldwork** | |
| BACS<br><br>**Final report issued** | | Cash and Banking<br><br>**Final report issued** | | | Car Parks – New pay & display machines<br><br>**Final report issued** | Benefits<br><br>**Final report issued** | Payroll<br><br>**In fieldwork** | Asset Mgt<br><br>**In fieldwork** | Internet & Email Usage<br><br>**Final report issued** | | |
| FOI<br><br>**Final report issued** | | Cyber Risk<br><br>**Final report issued** | | | Disabled Facilities Grant Certification<br><br>**Complete** | NDR<br><br>**Final report issued** | Safeguarding *<br><br>**In fieldwork** | Main Accounting System<br><br>**Final report issued** | Digital Information Management<br><br>**Draft report issued** | | |

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

| | | | | | | Health & Safety*<br><br>**Final report issued** | Absence Mgt<br><br>**In quality review** | Elections*<br><br>**In fieldwork** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|

**<u>*Notes</u>**

- 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.