

East Herts District Council Audit Committee Progress Report 10 July 2013

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 14 June 2013; and
- Agree removal of implemented high priority recommendations

Contents

- 1 Introduction and Background 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.5 Proposed Amendments to Audit Plan
 - 2.6 Performance Management

Appendices

- A Progress against the 2013-14 Audit Plan
- B Implementation Status of High Priority Recommendations

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 2013-14 as at 14 June 2013.
 - b) Proposed amendments to the approved 2013-14 Audit Plan.
 - c) Implementation status of previously agreed high priority audit recommendations.
 - d) An update on performance management information as at 14 June 2013.

Background

- 1.2 The 2013-14 Annual Audit Plan was approved by the Audit Committee on 13 March 2013.
- 1.3 The Audit Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 13 March 2013.
- 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 14 June 2013, 9% of the 2013-14 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

2.2 The following 2012-13 reports and assignments have been issued in the period since 22 February 2013 (cut-off for the 13 March 2013 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Main Accounting	Mar '13	Full	none
Treasury	Mar '13	Substantial	one medium
Management			
Housing	Mar '13	Substantial	none
Registrations &			
Nominations			
Programme	Mar '13	Substantial	two medium
Governance			one merits attention
Creditors	Mar '13	Substantial	four merits attention
Council Tax	Mar '13	Substantial	two medium
			one merits attention
Sundry Debtors	Apr '13	Substantial	two merits attention
Benefits	Apr '13	Substantial	two medium
Grounds	Apr '13	Substantial	one medium
Maintenance			one merits attention
NNDR	Apr '13	Substantial	one medium
Petty Cash &	Apr '13	Substantial	one medium
Expenses			two merits attention
Asset	May '13	Substantial	two merits attention
Management			
Debt Recovery	May '13	Substantial	None

The complete account of the 2012-13 Plan is presented in the Annual Report, elsewhere on the agenda.

No 2013-14 reports have yet been finalised.

High Priority Recommendations

2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

2.4 The majority of the outstanding high priority audit recommendations date back to 2009 and relate to business continuity arrangements. The status of these, including an assessment of whether they remain relevant in a changing IT environment will be considered when the current IT Business Continuity audit is concluded. We expect to bring an update to the September 2013 Audit Committee.

Proposed Audit Plan Amendments

- 2.5 The following deletion from the 2013-14 Audit Plan has been agreed with the Officers of the Council and is detailed below for Audit Committee approval:
 - VAT 8 days (High level review of VAT carried out by Grant Thornton tax specialist in April 2012. The Council has an action plan to address issues identified and therefore no value is anticipated form a further assurance review. The budgeted days will be added back into contingency and alternative areas considered for review during 2013-14).

Performance Management

- 2.6 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.
- 2.7 As at 14 June 2013 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 14 June 2013	Actual to 14 June 2013
1. Planned Days – percentage of actual billable days against planned chargeable days	95%	20% (however, delivery of the EHC Audit Plan is skewed towards Q2-Q4 to reflect the	9%

completed (excluding unused contingency)		views of management on timings for the audits)	
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	0%	0%
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%	None made

- 2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2013-14 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.

2013-14 SIAS Audit Plan

	LEVEL OF	F	REC	S			BILLABLE DAYS	
	ASSURANCE	Н	М	MA	PLAN DAYS	AUDITOR ASSIGNED		STATUS/COMMENT
Key Financial Systems								
Asset Management					12	No		
Benefits					15	No		
Council Tax					12	No		
Creditors (Control Risk Self Assessment – CRSA)					10	No		
Debtors (CRSA)					10	No		
Main Accounting					12	No		
NNDR					12	No		
Payroll					12	No		
Treasury					7	No		
Operational Audits								
Building Control Mutual					12	Yes	3	In planning
Community Infrastructure Levy					15	No		
Development Control					15	Yes	1	In planning
Emergency Planning					10	No		
Environmental Protection					8	No		
Facilities Management (IS23)					15	No		
Hertford Theatre					15	Yes	4.5	In fieldwork
Home-working Project					15	No		

	LEVEL OF	F	REC	S		LEAD AUDITOR	BILLABLE DAYS	STATUS/COMMENT
	ASSURANCE	Н	Μ	MA		ASSIGNED	_	STATUS/COMMENT
Licensing					12	No		
Local Development Planning					12	No		
Parking Services Enforcement					15	No		
S106 Follow Up					5	Yes	4	In fieldwork
Shared Services					15	No		
VAT					8	No	0	Audit cancelled
Procurement								
Land Drainage – continuous					5	No		
assurance					5	INU		
Leisure Contract – contractor					12	No		
accounts and inspections					12	INU		
Recycling					10	No		
Risk Management and								
Governance								
Corporate Governance					12	No		
IT Audits								
IT Business Continuity					12	No		
IT Data Management					12	No		
IT Strategy – controls					10	No		
assurance					10	INU		
Transition to new financial					1	No	0.5	

	LEVEL OF	F	REC	S		LEAD AUDITOR	BILLABLE DAYS	STATUS/COMMENT
	ASSURANCE	н	м	MA		ASSIGNED	COMPLETED	
system								
Joint Reviews								
Comparative review of budget setting and monitoring arrangements					2	No		
New ways of working – seminar					2	No		
Herts Waste Partnership –					3	No		
consortium arrangements					5	NO		
Strategic Support								
Strategic Support					50	N/A	8	On-going
SIAS Development					5	N/A	1	On-going
Follow Ups								
Follow up of high priority recommendations					8	N/A	1	On-going
2012-13 Projects requiring completion					·		·	
Various					17	N/A	16	On-going
EHC TOTAL					435		39	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
1.	Follow-up of Various ICT reviews (IA Report 22/6/09)	It is recommended that options for ICT business continuity are reviewed before expensive solutions are commissioned. These should take into account the possible mid-term accommodation changes under consideration.	Progress has been made in producing a draft ICT Business Continuity Plan. It was confirmed by the Strategic ICT Manager that the ICT Business Continuity Plan has been considered by the Business Continuity Group. Draft plan	Peter Searle (now Emma Freeman / Henry Lewis) / David Frewin/ Peter Bowler	Revised to December 2011 (no date set at final report stage)	Sep 12: The Business Continuity Group has prioritised each application's recovery. <u>Dec 12:</u> A separate audit of IT BCP is due to be completed by PWC in Dec 12 / Jan 13. This work will also consider the status and relevance of this recommendation. <u>Feb 13:</u> IT BCP audit in progress.	To be assessed when outcomes of IT BCP audit are agreed – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		A detailed timetable be prepared and issued to ensure that the Council's Business Continuity and Disaster Recovery Plan is completed and tested.	presented 09/02/09. Progress report is to be presented to Business Continuity Group in June. There was no evidence to confirm that a timetable has been prepared. It was, however, confirmed that a draft	Peter Searle (now David Frewin)	Mar 2012 (originally 31/03/10)	<u>Jun 13:</u> IT BCP audit report in draft for management review / comment. <u>Jun 12:</u> Meeting with DR supplier Phoenix planned for 26/06/12 for site demo and account meeting to update contract and arrange new testing dates.	To be assessed when outcomes of IT BCP audit are agreed – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
			Business Continuity Plan had been produced but as this was still a work in progress, it had not yet been tested.			Dec 12: Above meeting was cancelled. A recovery facility now exists at the old Stortford site and this has reduced the need for an external arrangement with Phoenix. There is a need to review the contract with Phoenix also taking into account the impact of shared services with Stevenage. <u>Feb 13:</u> No update	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		The Information Technology Team should approve and oversee the implementation of the Council's Information Systems Strategy.	Draft IT Strategy in programme to go to ITSG, CMT/ICT – C3W Board, Executive and full Council for approval on 3/9/09.	Peter Searle (now Emma Freeman / Henry Lewis)	Mar 2012 (originally 30/09/09)	obtained. <u>Jun 13:</u> IT BCP audit report in draft – awaiting management comment. <u>Sep 12:</u> Deferred pending decision on shared services. <u>Dec 12:</u> Draft high level strategy document exists but does not meet the needs of the Council. PWC are to provide	To be assessed when outcomes of IT BCP audit are agreed – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						examples of good practice to assist the Council in developing their IT Strategy (after final decision on shared services). <u>Feb / Jun 13:</u> No update obtained.	
		IT management should consider the implementation of fire suppression systems in the Council's two computer rooms.	There was no evidence available to confirm that this had been implemented. This has been recognised as	David Frewin	Jun 2011 (originally 30/09/09)	<u>Jun 12:</u> Further discussions with Business Continuity Group have led to a decision to recommend a Fire Suppression	To be assessed when outcomes of IT BCP audit are agreed – continue to

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
			a risk and is to be considered by the Business Continuity Group.			system. Awaiting final costings. <u>Dec 12:</u> Fire detection in place and approval given for suppression systems. Quotations being sought. <u>Feb / Jun 13:</u> No update obtained	monitor
2.	Payroll Review (IA Report 18/01/11)	A disaster recovery plan should be put in place for the Payroll/HR system, Delphi-Millennium as soon as possible	Agreed. This will be considered with the full move to Hertford.	David Frewin	Mar 2012	Jun 12: Payroll server now virtualized, we will fully test via the disaster recovery contract with	To be assessed when outcomes of IT BCP audit are

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		and tested for effectiveness. In the interim, develop clear manual contingency arrangements should the Payroll/HR system fail for any length of time.				Phoenix. However test system was created from live server clone and tested successfully. <u>Dec 12:</u> Agreement now in place for Payroll service to be operated by Stevenage Borough Council (SBC). The scope of the 2012- 13 Payroll audit at SBC includes a review of payroll disaster recovery plans. The outcomes of this review will be	agreed – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						reported in the March 2013 update report. <u>Feb 13:</u> Contingency arrangements for the introduction of the new payroll system in April are currently being developed. <u>Jun 13:</u> No update obtained	
3.	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Plan is reviewed annually. It is further	The current East Herts Council Business Continuity	Director of Neighbourhood Services	Sep 2011	<u>Jun 12:</u> Zurich Insurance is conducting a scoping workshop to take account of	To be assessed when outcomes of IT BCP

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		recommended that the Business Continuity Plan is communicated to staff and made available on the intranet.	Plan was sufficient, but it did not take into account C3W. Recognising this, we have engaged Zurich Ins Co. to conduct a scoping workshop 14 th July. Zurich have already reviewed the Council's strategic risks. This work is being			C3W implications. Workshops completed and revised plan to be published July 2012. <u>Dec 12:</u> A separate audit of IT BCP is due to be completed by PWC in Dec 12 / Jan 13. This work will also consider the status and relevance of this recommendation. <u>Feb 13:</u> IT BCP audit in	audit are agreed – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
			finalised before being put to CMT.			progress. <u>Jun 13:</u> IT BCP audit report in draft – awaiting management comment.	
	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Corporate Group (BCG) meet on a regular basis until the Business Continuity Plan is approved, and thereafter on a six monthly basis to review the plan.	The outcome from the Zurich workshop will trigger this group.	Director of Neighbourhood Services	Sep 2011	<u>Jun 12:</u> Outcomes from the Zurich workshops fed into the BCG as workshops held. <u>Dec 12:</u> A separate audit of IT BCP is due to be completed by PWC in Dec 12 / Jan 13. This work will also consider the status	To be assessed when outcomes of IT BCP audit are agreed – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						and relevance of this recommendation. <u>Feb 13:</u> IT BCP audit in progress. <u>Jun 13:</u> IT BCP audit report in draft – awaiting management comment.	
	Business Continuity (IA Report 7/6/11)	As per the 2011-12 Business Support ICT Service Plan it is recommended that the Disaster Recovery Plan is finalised and	The 2011/12 ICT Service Plan contains the required actions of developing an ICT Business	Head of Business Support Services (now Head of IT)	Not specified	Dec 12: A separate audit of IT BCP is due to be completed by PWC in Dec 12 / Jan 13. This work will also consider the status	To be assessed during IT Business Continuity audit in Q4 – continue

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		approved and includes a section on the ability to recovery data and a section on IT back- up. It is further recommended that the Disaster Recovery Plan is tested after it has been finalised.	Continuity Plan by the end of Sep 11 and testing the plan by the end of Dec 11. The arrangements for data back up and recovery will be contained within the ICT Business Continuity Plan. The preparation of the ICT Business Continuity plan was			and relevance of this recommendation. <u>Feb 13:</u> IT BCP audit in progress. <u>Jun 13:</u> IT BCP audit report in draft – awaiting management comment.	tomonitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
			deferred to Sep 11 due to the demands of the C3W project and changes and improved resilience that have been incorporated into the ICT infrastructure as part of the C3W programme. Testing of the ICM business continuity contract is planned to take place in				

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
			line with new business solutions by the end of March 2012.				
4.	C3W Prog (EA Report) March 2010)	The Council should consider identifying, in advance of major property transactions, the requirements for gateway reviews to ensure an independent 'sense check' at key decision points.	The Asset Management Strategy to include a statement on expected gateway review points.	Martin Shrosbree (now Anna Osborne)	Revised to Mar 2012	Jun 13: The Council's approach is defined in the Asset Management Plan (expected to go to 23 July Exec for approval). The status of properties in relation to usage and consistency with the strategy are considered at key points e.g. lease renewals.	Complete – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						Transactions are also discussed at the newly formed Asset Management Working Group (first meeting held on 8 May 2013 and quarterly thereafter). These processes ensure adequate oversight of the Council's property portfolio.	
5.	Safes & Security (18/01/12)	Each service carries out a data security risk assessment to identify all sensitive information which needs to be locked		Manager of Corporate Risk	31 st March 2012	An independent audit of the Council's Data Protection (DP) compliance policies and practices was commissioned in	Complete – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		away.				March 2012. This identified weaknesses in DP awareness and compliance across the Council. As a result CMT adopted an Information Security Policy Framework and set priorities for DP policy development and implementation. A governance and reporting framework for implementation and management of the Council's Data Protection and	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						Information Security Policies was agreed at Corporate Business Scrutiny Committee on 19 March 2013. The framework includes a requirement for quarterly updates to SMG and CMT. In view of the resource implications of the implementation a one year post of 'Data Protection Compliance Officer' was established from 2 April 2013. A	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						priority for the first month has been to establish a methodology for implementation across the Council. Implementation has been divided into two strands: - development of corporate policies and procedures; - implementation and support at a service level. The timetable for this work has been	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
						agreed.	
6.	Section 106 Agreement	The Development Control Manager should identify all contributions which are more than 5 years old and where the money is unlikely to be spent for the original purpose. Meetings should then be held with the developer to discuss possible changes to the original agreement.	Development Control Manager (DCM) to review older agreements where the original contribution is unlikely to be spent and consider whether any appropriate alternatives can be negotiated given the tests in	Development Control Manager	First report to CMT by end December 2012 Then report to CMT annually on progress	Dec 12: First report now expected to go to CMT in February 2013. <u>Feb 13:</u> Report now expected to go to CMT on 12 March. <u>Jun 13:</u> First report submitted to CMT on 12/03/13, stating that further research is being carried out in relation to older	Complete – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
			Circular 05/05. Then to report to CMT accordingly.			agreements and CMT will be updated at subsequent meetings.	
	Section 106 Agreement	For the older contracts (those over 5 years old), the Heads of Service should either: a) review the legal agreement to try to identify the purpose of the contribution; or b) Arrange a meeting with the Development	DCM to undertake as part of reporting in relation to point 1 above.	Development Control Manager	End Dec 2012	Dec 12: First report now expected to go to CMT in February 2013. <u>Feb 13:</u> Report now expected to go to CMT on 12 March. <u>Jun 13:</u> First report submitted to CMT on 12/03/13, stating that the purpose of	Complete – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		Control Manager to agree the spending of the contributions to meet the documented spending criteria.				the contributions that may be obscure are discussed to agree the spending criteria. Quarterly reporting enables CMT to explore spending options and seek further information and input from service heads as necessary to inform their decisions.	
	Section 106 Agreement	Roles and responsibilities of all departments involved in the S.106 process should be	Head of Planning and Building Control and Head of Communicati	Head of Planning & Building Control	March 2013	<u>Dec 12:</u> In progress. <u>Feb 13:</u> Draft note being prepared, input	In progress – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (2012 & 2013 only)	SIAS Comment (Jun 13)
		documented to ensure that all parts of the process are completed for each contribution received.	ons, Engagement and Cultural Services to produce procedure note.			from all relevant officers being sought. Anticipated that completed note will be prepared by the end of March 2013. <u>Jun 13:</u> Action still to be completed.	