



East Herts District Council
Audit Committee Progress Report
18 September 2013

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 30 August 2013; and
- Agree removal of implemented 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 2013-14 as at 30 August 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 30 August 2013.

Background

- 1.2 The 2013-14 Audit Plan was approved by 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 10 July 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 30 August 2013, 22% 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 report has been issued in the period since 14 June 2013 (cut-off for July 2013 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Fraud Baseline Assessment	Jun '13	Not assessed	nine recommendations on areas of best practice applicable to all SIAS clients

The final 2012-13 audit (IT Business Continuity) is currently in draft. An update on progress in finalising this piece of work will be provided by the Head of Shared Service at this meeting of the Audit Committee.

The following 2013-14 reports have been finalised:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Corporate Governance	Aug '13	Substantial	two merits attention
Section 106 Follow Up	Aug '13	N/A	All original recommendations now implemented

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.

Proposed Audit Plan Amendments

- 2.4 The following deletions from, and additions to the 2013-14 Audit Plan have been agreed with Officers of the Council and are detailed below for Audit Committee approval:

Deletion:

VAT (8 days) – A high level review of VAT was carried out by a Grant Thornton tax specialist in April 2012. The Council has an action plan to address issues identified and no value is anticipated from a further assurance review at this time (budgeted days reallocated as below).

Addition:

Processes for Complaints, Compliments and Comments (8 days) - Review of the use/application of the 3Cs procedure across council services as low levels of 3Cs are being recorded.

Performance Management

- 2.5 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.
- 2.6 As at 30 August 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 30 August 2013	Actual to 30 August 2013
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	25%	22%
2. Planned Projects – percentage of actual completed projects to draft report stage against	95%	10%	6%

planned completed projects			
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

2.7 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.

APPENDIX A PROGRESS AGAINST THE 2013-14 AUDIT PLAN AS AT 30 AUGUST 2013

2013-14 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	No		Target Q4
Benefits					15	No		Target Q3
Council Tax					12	No		Target Q3
Creditors (Control Risk Self Assessment – CRSA)					10	No		Target Q4
Debtors (CRSA)					10	No		Target Q4
Main Accounting					12	No		Target Q4
NNDR					12	No		Target Q3
Payroll					12	No		Target Q4
Treasury					7	No		Target Q3
Operational Audits								
Building Control Mutual					12	Yes	3.5	In planning
Community Infrastructure Levy					15	No		Target Q3/4
Development Control					15	Yes	13	In quality review
Emergency Planning					10	Yes	1	In planning
Environmental Protection					8	Yes	3	In planning
Facilities Management					15	No		Target Q3
Hertford Theatre					15	Yes	14	In fieldwork

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Home-working Project					15	Yes	2	In planning
Licensing					12	No		Target Q3
Local Development Planning					12	No		Target Q4
Parking Services Enforcement					15	Yes	1	In planning
Processes for Complaints, Compliments & Comments					8	Yes	1	In planning
S106 Follow Up	N/A				5	Yes	5	Final report issued
Shared Services					15	No		Target Q3
VAT					0	N/A	0	Audit cancelled
Procurement								
Land Drainage – continuous assurance					5	Yes		In planning
Leisure Contract – contractor accounts and inspections					12	Yes	10	In fieldwork
Recycling					10	No		Target Q4
Risk Management and Governance								
Corporate Governance	Substantial	0	0	2	12	Yes	12	Final report issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
IT Audits								
IT Business Continuity					12	No		Target Q3/4
IT Data Management					12	No		Target Q3/4
IT Strategy – controls assurance					10	No		Target Q3/4
Transition to new financial system					1	Yes	0.5	On-going
Joint Reviews								
Comparative review of budget setting and monitoring arrangements					2	No		Target Q3/4
New ways of working – seminar					2	No		Target Q3/4
Herts Waste Partnership – consortium arrangements					3	Yes		Work in progress, time not yet allocated to clients
Strategic Support								
Strategic Support					50	N/A	18	On-going
SIAS Development					5	N/A	5	On-going

APPENDIX A PROGRESS AGAINST THE 2013-14 AUDIT PLAN AS AT 30 AUGUST 2013

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Follow Ups								
Follow up of high priority recommendations					8	N/A	1	On-going
2012-13 Projects requiring completion								
Various					17	N/A	2**	Completed
EHC TOTAL					435		92	

Notes:

All audits in the 2013-14 Audit Plan have been allocated for the year. A 'No' in the Lead Auditor assigned column indicates the work is not expected to commence until Q3/4.

** excludes 15 days already billed in 2012-13

APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (last 12 months only)	SIAS Comment (Aug 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	Head of Shared Service	Revised to December 2011 (no date set at final report stage)	<p><u>Feb 13</u> IT BCP audit in progress.</p> <p><u>Jun / Aug 13</u> IT BCP audit report in draft for management review / comment.</p>	Separate update to be given at September Audit Committee by Head of Shared Service - continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (last 12 months only)	SIAS Comment (Aug 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	Head of Shared Service	Mar 2012 (originally 31/03/10)	<u>Dec 12</u> 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	Separate update to be given at September Audit Committee by Head of Shared Service - continue to

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		The Information Technology Team should approve and oversee the implementation of	Business Continuity Plan had been produced but as this was still a work in progress, it had not yet been tested. Draft IT Strategy in programme to go to ITSG, CMT/ICT –	Head of Shared Service	Mar 2012 (originally 30/09/09)	contract with Phoenix, taking into account the impact of shared services with Stevenage BC. <u>Feb 13</u> No update <u>Jun / Aug 13</u> IT BCP audit report in draft for management review / comment. <u>Dec 12</u> Draft high level strategy document exists but does not meet the needs of	monitor Separate update to be given at September Audit

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		<p>the Council's Information Systems Strategy.</p> <p>IT management should consider the implementation of fire suppression systems in the Council's two</p>	<p>C3W Board, Executive and full Council for approval on 3/9/09.</p> <p>There was no evidence available to confirm that this had been implemented.</p>	<p>Head of Shared Service</p>	<p>Jun 2011 (originally 30/09/09)</p>	<p>the Council. PWC are to provide examples of good practice to assist the Council in developing their IT Strategy (after final decision on shared services).</p> <p><u>Feb / Jun / Aug 13</u> No updates obtained.</p> <p><u>Dec 12</u> Fire detection in place and approval given for suppression systems.</p>	<p>Committee by Head of Shared Service - continue to monitor</p> <p>Separate update to be given at September Audit Committee</p>

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (last 12 months only)	SIAS Comment (Aug 13)
		computer rooms.	This has been recognised as a risk and is to be considered by the Business Continuity Group.			Quotations being sought. <u>Feb / Jun / Aug 13</u> No updates obtained	by Head of Shared Service - continue to 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 and tested for effectiveness. In the interim, develop clear manual contingency arrangements	Agreed. This will be considered with the full move to Hertford.	Head of Shared Service	Mar 2012	<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 included a review of payroll disaster recovery	Separate update to be given at September Audit Committee by Head of Shared Service - continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (last 12 months only)	SIAS Comment (Aug 13)
		should the Payroll/HR system fail for any length of time.				<p>plans.</p> <p><u>Feb 13</u> Contingency arrangements for the introduction of the new payroll system in April are currently being developed.</p> <p><u>Jun / Aug 13</u> No updates obtained</p>	
3.	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Plan is reviewed annually. It is further recommended that	The current East Herts Council Business Continuity Plan was	Director of Neighbourhood Services	Sep 2011	<p><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</p>	Separate update to be given at September Audit Committee

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		<p>the Business Continuity Plan is communicated to staff and made available on the intranet.</p>	<p>sufficient, but it did not take into account C3W. Recognising this, we have engaged Zurich Ins Co. to conduct a scoping workshop 14th July.</p> <p>Zurich has already reviewed the Council's strategic risks. This work is being finalised</p>			<p>consider the status and relevance of this recommendation.</p> <p><u>Feb 13</u> IT BCP audit in progress.</p> <p><u>Jun / Aug 13</u> IT BCP audit report in draft – awaiting management comment.</p>	<p>by Head of Shared Service - continue to monitor</p>

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			before being put to CMT.				
	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	<p><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.</p> <p><u>Feb 13</u> IT BCP audit in progress.</p> <p><u>Jun / Aug 13</u> IT BCP audit report in draft – awaiting</p>	Separate update to be given at September Audit Committee by Head of Shared Service - continue to monitor

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						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 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.	The 2011/12 ICT Service Plan contains the required actions of developing an ICT Business 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	Head of Shared Service	Not specified	<p><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.</p> <p><u>Feb 13</u> IT BCP audit in progress.</p> <p><u>Jun / Aug 13</u> IT BCP audit report in draft – awaiting</p>	Separate update to be given at September Audit Committee by Head of Shared Service - continue to monitor

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			<p>be contained within the ICT BCP. The preparation of the ICT BCP was deferred to Sep 11 due to the demands of 3W and changes and improved resilience that have been incorporated into the ICT infrastructure as part of C3W. Testing of the ICM business</p>			<p>management comment.</p>	

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			continuity contract is planned to take place in line with new business solutions by the end of March 2012.				
4.	Section 106 Agreement	Roles and responsibilities of all departments involved in the S.106 process should be documented to ensure that all parts of the process are completed for each contribution	Head of Planning and Building Control and Head of Communications, Engagement and Cultural Services to produce	Head of Planning & Building Control	March 2013	<u>Feb 13</u> Draft note being prepared, input from all relevant officers being sought. Anticipated that completed note will be prepared by the end of March 2013.	Complete – remove from list

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		received.	procedure note.			<p><u>Jun 13</u> Action still to be completed.</p> <p><u>Aug 13</u> Procedure note now complete.</p>	