East Herts District Council
Audit Committee Progress Report
22 January 2014

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 3 January 2014; and
- Agree removal of implemented high priority recommendations

# 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 2013/14 as at 3 January 2014.
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 3 January 2014.

## 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 18 September 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 3 January 2014, 55% 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 30 August 2013 (cut-off date for September 2013 Audit Committee) and represents closure of the 2012/13 Audit Plan:

| Audit Title | Date of Issue | Assurance Level | Number and Priority of Recommendations |
|---|---|---|---|
| Business Continuity Planning | Oct '13 | Limited | Three high |

The following 2013/14 reports have also been finalised since 30 August 2013:

| Audit Title | Date of Issue | Assurance Level | Number and Priority of Recommendations |
|---|---|---|---|
| Hertford Theatre | Sep '13 | Substantial | Two medium and two merits attention |
| Development Management | Sep '13 | Full | None |
| Processes for Complaints, Compliments and Comments | Dec '13 | Full | None |

2.3 The Business Continuity Planning audit has been assigned Limited Assurance. The full report was issued to members of the Audit Committee at the time of issue (01/10/13). The three high priority recommendations are included in Appendix B to this report, although no update is provided for this Committee as the agreed implementation dates have not yet been reached.

High Priority Recommendations

2.4 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

2.5    Since the September Audit Committee, 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:

Deletions (days returned to contingency):
- Shared Services (15 days) – the shared IT service with Stevenage Borough Council went live in August 2013 and consequently there is currently insufficient experience of the new arrangements to provide assurance over benefits realisation.  Audit to be considered for inclusion in the 2014/15 Audit Plan.
- Community Infrastructure Levy (15 days) – insufficient progress in developing new arrangements due to conflicting information at both local/regional and national level and a lack of clarity over timescales. Audit to be considered for inclusion in the 2014/15 Audit Plan.
- Local Development Plan (12 days) - the current timetable indicates that a period of public consultation is planned for January 2014.  This consultation will run for a considerable period (probably three months) through to April. Audit to be considered for inclusion in the 2014/15 Audit Plan.
- Recycling (10 days) – the audit was originally expected to focus on the procurement of the fleet of refuse vehicles and new bins which occurred in mid-2013. However, this was achieved through existing regional framework contracts which significantly reduced the risks of the procurement exercise and therefore an audit would not add value.
- New Ways of Working (2 days) - At its September 2013 meeting, the SIAS Board agreed to drop this proposed seminar on new ways of working as the SIAS management team capacity has been limited as a result of vacancies. This will have no impact on the level of assurance provided as this was not a piece of assurance work *per se.*

Additions:

- <u>Land Charges (12 days)</u> - review of land search requests, income collection and performance management.
- <u>Pest Control (4 days)</u> - review of the pest control service, including fee setting and income collection.
- <u>Safeguarding (8 days)</u> - review of the application of the new Disclosure & Barring Service requirements.
- <u>Social Media (12 days)</u> - review of the Council's policies and governance arrangements relating to the use and monitoring of social media (inc. Facebook, Twitter, Linked-in).
- <u>New Payroll System - Post Implementation Review (10 days)</u> - review of the selection process for the payroll provider including assessment of quality criteria.
- <u>Hertford Theatre Payments (6 days)</u> – review of payment processes, including those through the creditors system, procurement cards and petty cash. Review to give assurance over the level of compliance with EHDC Financial Regulations and Contract Procurement Rules.

<u>Performance Management</u>

2.6 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.

2.7 As at 3 January 2014 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 January 2014 | Actual to 3 January 2014 |
|---|---|---|---|
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed (excluding unused contingency) | 95% | 60% | 55% |
| **2. Planned Projects** – | 95% | 35% | 21% |

| | | | |
|---|---|---|---|
| percentage of actual completed projects to draft report stage against 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 |

2.8   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**

| 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 | 1 | In planning |
| Benefits | | | | | 15 | Yes | 14 | In quality review |
| Council Tax | | | | | 12 | Yes | 10 | In fieldwork |
| Creditors (Control Risk Self Assessment – CRSA) | | | | | 10 | Yes | 1 | In planning |
| Debtors (CRSA) | | | | | 10 | Yes | 1 | In planning |
| Main Accounting | | | | | 12 | Yes | 1 | In planning |
| NNDR | | | | | 12 | Yes | 10 | In fieldwork |
| Payroll | | | | | 12 | Yes | 1 | In planning |
| Treasury (CRSA) | | | | | 7 | Yes | 6 | In quality review |
| | | | | | | | | |
| **Operational Audits** | | | | | | | | |
| Building Control Mutual | | | | | 12 | Yes | 4 | In planning |
| Community Infrastructure Levy | | | | | 0 | No | 0 | Audit cancelled |
| Development Control | Full | 0 | 0 | 0 | 15 | Yes | 15 | Final report issued |
| Emergency Planning | | | | | 10 | Yes | 6 | In fieldwork |
| Environmental Protection | | | | | 8 | Yes | 5 | In fieldwork |
| Facilities Management | | | | | 15 | Yes | 11 | In fieldwork |
| Hertford Theatre | Substantial | 0 | 2 | 2 | 15 | Yes | 15 | Final report issued |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|---|
| | | H | M | MA | | | | |
| Hertford Theatre – payments | | | | | 6 | Yes | 5 | In fieldwork |
| Home-working Project | | | | | 15 | Yes | 4 | In planning |
| Land Charges | | | | | 12 | Yes | 0 | Target Q4 |
| Licensing | | | | | 12 | Yes | 0 | Target Q4 |
| Local Development Planning | | | | | 0 | No | 0 | Audit cancelled |
| Parking Services Enforcement | | | | | 15 | Yes | 14 | Draft report issued |
| Pest Control | | | | | 4 | Yes | 0 | Target Q4 |
| Processes for Complaints, Compliments & Comments | Full | 0 | 0 | 0 | 8 | Yes | 8 | Final report issued |
| S106 Follow Up | N/A | | | | 5 | Yes | 5 | Final report issued |
| Safe Staffing | | | | | 8 | Yes | 0 | Target Q4 |
| Shared Services | | | | | 0 | No | 0 | Audit cancelled |
| Social Media | | | | | 12 | Yes | 0 | Target Q4 |
| VAT | | | | | 0 | No | 0 | Audit cancelled |
| | | | | | | | | |
| **Procurement** | | | | | | | | |
| Land Drainage – continuous assurance | | | | | 5 | Yes | 1 | In planning |
| Leisure Contract – contractor accounts and inspections | | | | | 12 | Yes | 11 | Draft report issued |
| Recycling | | | | | 0 | No | 0 | Audit cancelled |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|---|
| | | H | M | MA | | | | |
| | | | | | | | | |
| **Risk Management and Governance** | | | | | | | | |
| Corporate Governance | Substantial | 0 | 0 | 2 | 12 | Yes | 12 | Final report issued |
| | | | | | | | | |
| **IT Audits** | | | | | | | | |
| IT Business Continuity | | | | | 12 | Yes | 2 | In planning |
| IT Data Management | | | | | 12 | Yes | 4 | In fieldwork |
| IT Strategy – controls assurance | | | | | 10 | Yes | 3 | In fieldwork |
| Transition to new financial system | | | | | 1 | Yes | 0.5 | On-going |
| Payroll System – Post implementation review | | | | | 8 | Yes | 0 | Target Q4 |
| | | | | | | | | |
| **Joint Reviews** | | | | | | | | |
| Comparative review of budget setting and monitoring arrangements | | | | | 2 | Yes | 0 | Target Q4 |
| New ways of working – seminar | | | | | 0 | No | 0 | Audit cancelled |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | H | M | MA | | | | |
| Herts Waste Partnership – consortium arrangements | | | | | 3 | Yes | 1 | In progress |
| | | | | | | | | |
| **Strategic Support** | | | | | | | | |
| Strategic Support | | | | | 50 | N/A | 38 | On-going |
| SIAS Development | | | | | 5 | N/A | 5 | On-going |
| | | | | | | | | |
| **Contingency** | | | | | | | | |
| Unused Contingency | | | | | 4 | | 0 | |
| | | | | | | | | |
| **Follow Ups** | | | | | | | | |
| Follow up of high priority recommendations | | | | | 8 | N/A | 4 | On-going |
| | | | | | | | | |
| **2012/13 Projects requiring completion** | | | | | | | | |
| Various | | | | | 17 | N/A | 17 | Completed |
| | | | | | | | | |
| **EHC TOTAL** | | | | | **435** | | **235.5** | |

Notes:
All audits in the 2013/14 Audit Plan have been allocated for the year.

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| 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) | Dec 13 The ability to deliver core infrastructure services from the new data centre is now in place and the process of moving staff across to the new infrastructure is underway to a timetable agreed with Heads of Service which will be completed by March 2014. | Partially implemented – continue to monitor |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|-----|------|------|------|------|------|------|------|
| | | | presented 09/02/09. Progress report is to be presented to Business Continuity Group in June. | | | | |
| | Follow-up of Various ICT reviews (IA Report 22/6/09) | A detailed timetable be prepared and issued to ensure that the Council's Business Continuity and Disaster Recovery Plan is completed and tested. | There was no evidence to confirm that a timetable has been prepared. It was, however, confirmed that a draft Business | Head of Shared Service | Mar 2012 (originally 31/03/10) | IT BCP audit now scheduled for March 2014 in view of shared service developments. | Not implemented – continue to monitor |

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|---|---|---|---|---|---|---|---|
| | | | Continuity Plan had been produced but as this was still a work in progress, it had not yet been tested. | | | | |
| | Follow-up of Various ICT reviews (IA Report 22/6/09) | 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. | Head of Shared Service | Mar 2012 (originally 30/09/09) | Dec 13 Plans for delivering a new IT Strategy have been deferred with the agreement of the Portfolio Holder. A new timetable is being discussed which will ensure that the strategy is | Not implemented – continue to monitor |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | | | | | delivered no later than March 2014. | |
| | Follow-up of Various ICT reviews (IA Report 22/6/09) | 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 a risk and is to be considered by the Business Continuity Group. | Head of Shared Service | Jun 2011 (originally 30/09/09) | Dec 13 This recommendation is no longer relevant as services will be sited in Stevenage in the future. Fire suppression systems are already in place for the new solution. | Action no longer relevant in the light of shared service - remove from list |
| 2. | Payroll Review (IA Report | A disaster recovery plan should be put in place for the | Agreed. This will be considered | Head of Shared Service | Mar 2012 | Dec 12 Agreement now in place for Payroll | Complete – remove from list |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | 18/01/11) | Payroll/HR system, Delphi-Millennium as soon as possible and tested for effectiveness. In the interim, develop clear manual contingency arrangements should the Payroll/HR system fail for any length of time. | with the full move to Hertford. | | | 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 plans.<br><br>Feb 13<br>Contingency arrangements for the introduction of the new payroll system in April are currently being developed. | |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | | | | | Jun / Aug 13<br>No update obtained<br><br>Sep 13<br>The payroll system is now hosted at Stevenage and a comprehensive business continuity solution is in place which involves the system being recoverable within 4 hours should either of the two existing data centres fail (see response to rec 1). | |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| 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 Business Continuity Plan is communicated to staff and made available on the intranet. | The current East Herts Council Business Continuity Plan was sufficient, but it did not take into account C3W. Recognising this, we have engaged Zurich Ins Co. to conduct a scoping workshop 14th July.<br><br>Zurich has already | Director of Neighbourhood Services | Sep 2011 | Dec 13<br>Business continuity for infrastructure services will be delivered as staff transfer across as noted above. Business continuity for applications will be delivered to the original timetable of March 2014. Documents will be updated and published once the full business continuity solution is in place. | Partially implemented – continue to monitor |

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|---|---|---|---|---|---|---|---|
| | | | reviewed the Council's strategic risks. This work is being finalised 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 | Dec 13 IT BCP audit now scheduled for March 2014 in view of shared service developments. | Not implemented – continue to monitor |

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|---|---|---|---|---|---|---|---|
| | 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 be contained within the ICT BCP. The | Head of Shared Service | Not specified | <u>Dec 13</u><br>A separate audit of IT BCP is due to be completed by PWC in March 2014. This work will consider the status and relevance of this recommendation. | Not implemented – continue to monitor |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | | 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 continuity contract is planned to | | | | |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | | take place in line with new business solutions by the end of March 2012. | | | | |
| 4. | 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. | 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. | Director of Neighbourhood Services | 30 June 2014 | N/A | Not yet due |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | 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 BCPs. | 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 plans will be established and reviewed | | | | |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | | annually. Testing will take place in line with the established schedule. | | | | |
| | Business Continuity Planning (01/10/13) | Key business stakeholders should discuss their requirements with the business continuity group and the IT team to ensure that their requirements are documented in a sufficient level of detail, and that the business recovery time objectives can | A new IT business continuity solution is to be implemented now that a Shared Service with Stevenage B.C. is in place. The new solution will | Head of Shared ICT, Business Improvement and Print and Graphic Design Services | 31 March 2014 | N/A | Not yet due |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | be met (or sufficient downtime procedures are defined).<br><br>The requirements should be periodically reviewed to ensure they remain up to date and appropriate. | provide for all services to be recoverable within four hours of a major incident being declared. Head of Shared Service to discuss future opportunities for streamlining business continuity plans with the Business Continuity Group. | | | | |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | 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 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 | 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. | Director of Neighbourhood Services | 31 March 2014 | N/A | Not yet due |

| No. | Report Title / Date of Issue | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Jan 14) |
|---|---|---|---|---|---|---|---|
| | | regard to business continuity planning, and these responsibilities should be documented within the plan. | | | | | |