



East Herts Council
Audit Committee Progress Report
19 March 2014

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 28 February 2014

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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 28 February 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 28 February 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 22 January 2014.
- 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 28 February 2014, 83% 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 2013/14 reports have been finalised since 3 January 2014 (cut-off date for 22 January 2014 Audit Committee):

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Leisure Contract – contractor accounts & inspections	Jan '14	Moderate	Five medium Two merits attention
Benefits	Feb '14	Substantial	Two medium
Parking Services Enforcement	Feb '14	Substantial	Two medium One merits attention
Emergency Planning	Feb '14	Substantial	One merits attention
Council Tax	Feb '14	Substantial	On medium
NDR	Feb '14	Substantial	Two medium One merits attention
Hertford Theatre Payments	Feb '14	Moderate	One high Three medium One merits attention

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 Since January 2014 Audit Committee, the following amendments to the 2013/14 Audit Plan have been agreed with Officers of the Council and are detailed below for Audit Committee approval:

- Building Control Mutual – this audit is cancelled as current proposals for developing an alternative business model for building control are not sufficiently advanced for audit involvement. Eight days have been returned to

contingency in 2013/14. Although this audit has not been carried over into the draft 2014/15 Audit Plan, the contingency budget can be used if audit involvement is requested.

- Home-working project – consultancy advice provided rather than a full audit as the project was not as defined as anticipated by previous management. Eleven days returned to contingency.

Performance Management

- 2.5 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.
- 2.6 As at 28 February 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 28 February 2014	Actual to 28 February 2014
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90%	83%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	65%	45%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
4. Number of High Priority Audit	95%	95%	100%

Recommendations agreed			
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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 28 FEBRUARY 2014

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 – PwC	2	In fieldwork
Benefits	Substantial	0	2	0	15	Yes	15	Final report issued
Council Tax	Substantial	0	1	0	12	Yes	12	Final report issued
Creditors (Control Risk Self Assessment – CRSA)					10	Yes	3	In fieldwork
Debtors (CRSA)					10	Yes	2	In planning
Main Accounting					12	Yes	11	In quality review
NNDR	Substantial	0	2	1	12	Yes	12	Final report issued
Payroll					12	Yes	11	Draft report issued
Treasury (CRSA)					7	Yes	6.5	Draft report issued
Operational Audits								
Building Control Mutual					4	Yes	4	Audit cancelled from 2013/14
Community Infrastructure Levy					0	No	0	Audit cancelled
Development Control	Full	0	0	0	15	Yes	15	Final report issued
Emergency Planning	Substantial	0	0	1	10	Yes	10	Final report issued
Environmental Protection					8	Yes	6	In fieldwork
Facilities Management					15	Yes	14	In quality review

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Hertford Theatre	Substantial	0	2	2	15	Yes	15	Final report issued
Hertford Theatre – payments	Moderate	1	3	1	11	Yes	11	Final report issued
Home-working Project					4	Yes	4	Draft assurance statement to be issued
Land Charges					12	Yes	11	Draft report issued
Licensing					12	Yes	9	In fieldwork
Local Development Planning					0	No	0	Audit cancelled
Parking Services Enforcement	Substantial	0	2	1	15	Yes	15	Final report issued
Pest Control					4	Yes	3.5	In fieldwork
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 - PwC	7	In fieldwork
Shared Services					0	No	0	Audit cancelled
Social Media					12	Yes - PwC	11	In quality review
VAT					0	No	0	Audit cancelled
Procurement								
Land Drainage – continuous assurance					5	Yes	1	In planning
Leisure Contract – contractor	Moderate	0	5	2	12	Yes	12	Final report issued

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		H	M	MA				
accounts and inspections								
Recycling					0	No	0	Audit cancelled
Risk Management and Governance								
Corporate Governance	Substantial	0	0	2	12	Yes	12	Final report issued
IT Audits								
IT Business Continuity					12	Yes – PwC	3	In planning
IT Data Management					12	Yes – PwC	10	In quality review
IT Strategy – controls assurance					10	Yes – PwC	1	In fieldwork
Transition to new financial system					1	Yes	1	Completed
Payroll System – Post implementation review					8	Yes	5	In fieldwork
Joint Reviews								
Comparative review of budget setting and monitoring arrangements					2	Yes	1	In progress

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
New ways of working – seminar					0	No	0	Audit cancelled
Herts Waste Partnership – consortium arrangements					3	Yes	2	In progress
Strategic Support								
Strategic Support					50	N/A	48	On-going
SIAS Development					5	N/A	5	On-going
Contingency								
Unused Contingency					18		0	
Follow Ups								
Follow up of high priority recommendations					8	N/A	6	On-going
2012/13 Projects requiring completion								
Various					17	N/A	17	Completed
EHC TOTAL					435		345.5	

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	SIAS Comment (Feb 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)	<p><u>Dec 13</u> 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.</p> <p><u>Feb 14</u> Due March 2014.</p>	Partially implemented – continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 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)	<p><u>Dec 13</u> IT BCP audit now scheduled for March 2014 in view of shared service developments.</p> <p><u>Feb 14</u> No change.</p>	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)	<u>Dec 13</u> 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

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						<p>delivered no later than March 2014.</p> <p><u>Feb 14</u> Due March 2014.</p>	
2.	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	Director of Neighbourhood Services	Sep 2011	<p><u>Dec 13</u> 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</p>	Partially implemented – continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 14)
			<p>scoping workshop 14th July.</p> <p>Zurich has already reviewed the Council's strategic risks. This work is being finalised before being put to CMT.</p>			<p>full business continuity solution is in place.</p> <p><u>Feb 14</u> Due March 2014.</p>	
	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Corporate Group (BCG) meet on a regular basis until	The outcome from the Zurich workshop will trigger this group.	Director of Neighbourhood Services	Sep 2011	<u>Dec 13</u> IT BCP audit now scheduled for March 2014 in view of shared service developments.	Not implemented – continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 14)
		the Business Continuity Plan is approved, and thereafter on a six monthly basis to review the plan.				<u>Feb 14</u> No change.	
	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 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	Head of Shared Service	Not specified	<u>Dec 13</u> 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. <u>Feb 14</u> No change.	Not implemented – continue to monitor

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		the Disaster Recovery Plan is tested after it has been finalised.	arrangements for data back up and recovery will 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				

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			as part of C3W. Testing of the ICM business continuity contract is planned to take place in line with new business solutions by the end of March 2012.				
3.	Business Continuity Planning (01/10/13)	All departmental business continuity plans and resource recovery questionnaires should be reviewed to ensure they are	Now that the Shared ICT service is in place and IT business continuity arrangements	Director of Neighbourhood Services	30 June 2014	N/A	Not yet due

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		<p>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 downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the BCPs.</p>	<p>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 line with the new ICT solution referred to in Recommendation 2. A</p>				

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			provisional schedule for testing recovery plans will be established and reviewed 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	A new IT business continuity solution is to be implemented now that a	Head of Shared ICT, Business Improvement and Print and Graphic Design Services	31 March 2014	N/A	Not yet due

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		<p>ensure that their requirements are documented in a sufficient level of detail, and that the business recovery time objectives can be met (or sufficient downtime procedures are defined).</p> <p>The requirements should be periodically reviewed to ensure they remain up to date and appropriate.</p>	<p>Shared Service with Stevenage B.C. is in place. The new solution will 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</p>				

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			streamlining business continuity plans with the Business Continuity Group.				
	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.	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

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		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.					
	Hertford Theatre Payments	Training around the application of Financial Regulations and Contract Procurement Rules	Agreed	Tracey Sargent (Procurement Officer)	31 August 2014		

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Feb 14)
		should be delivered to all relevant staff to ensure that minimum records are maintained following procurement activities.					