East Herts Council
Audit Committee Progress Report
16 July 2014

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report;
- Approve the amendments to the Audit Plan as at 20 June 2014; and
- Agree removal of implemented high priority recommendations.

Contents

1. Introduction and Background

<u>Purpose of Report</u>

1.1 This report details:

a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2014/15 as at 20 June 2014.
b) Proposed amendments to the approved 2014/15 Audit Plan.
c) Implementation status of previously agreed high priority audit recommendations.
d) An update on performance management information as at 20 June 2014.

<u>Background</u>

1.2 The 2014/15 Audit Plan was approved by Audit Committee on 19 March 2014.

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 19 March 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

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1 As at 20 June 2014, 11% of the 2014/15 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 28 February 2014 (cut-off date for 19 March 2014 Audit Committee) and represents closure of the 2013/14 Audit Plan:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Land Charges	Mar '14	Substantial	One medium
Main Accounting	Mar '14	Substantial	None
Debtors	Mar '14	Substantial	None
Creditors	Mar '14	Full	None
Payroll	Mar '14	Substantial	Two medium Four merits attention
Environmental Protection (Food Hygiene)	Mar '14	Substantial	None
Facilities Management	Mar '14	Limited	Three high Three medium
Licensing	Apr '14	Substantial	One medium Three merits attention
Safe Staffing	Apr '14	Moderate	Three medium One merits attention
Social Media	Apr '14	Substantial	Seven merits attention
Payroll – post implementation review	Apr '14	Moderate	Three medium
Pest Control	Apr '14	Moderate	One high Four medium Two merits attention
IT Data Management	May '14	Substantial	One merits attention
Treasury Management	May '14	Full	None
Asset Management	May '14	Substantial	Two medium Four merits attention

2.3 No 2014/15 reports have yet been finalised. Details of the status of audits in this year's plan are shown in Appendix A and include a start month for each planned assignment which has been agreed with management. Appendix C details the agreed start month for each audit.

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 Consultation with management has resulted in the cancellation of the planned review of the IT Help Desk. The unused time has been returned to contingency.

Performance Management

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

2.7 As at 20 June 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 20 June 2014	Actual to 20 June 2014
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	15%	11%

2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	7%	4%
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	No audits yet finalised in 14/15
4. Number of High Priority Audit Recommendations agreed	95%	95%	None made yet in 14/15

2.8   In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2014/15 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.

2014/15 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 - Control Risk Self Assessment (CRSA) Year 1 / Strategy					18	No		Start Date Agreed
Benefits					15	No		Start Date Agreed
Council Tax					12	No		Start Date Agreed
Creditors (CRSA Year 2)					8	No		Start Date Agreed
Debtors (CRSA Year 2)					8	No		Start Date Agreed
Main Accounting (CRSA Year 1)					10	No		Start Date Agreed
NDR					12	No		Start Date Agreed
Payroll (CRSA Year 1)					10	No		Start Date Agreed
Payroll Certificate	Not Assessed	-	-	-	0.5	Yes	0.5	Complete
Treasury					10	No		Start Date Agreed
Operational Audits								
Enforcement					15	No		Start Date Agreed
Parking Permits					10	No		Start Date Agreed
Local Development Plan					12	No		Start Date Agreed
S106 Agreements					12	Yes	5	In Fieldwork

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Cash and Banking					12	No		Start Date Agreed
Fees and Charges					15	Yes	1	In Planning
Recruitment					15	Yes	4	In Fieldwork
Community Grants					15	No		Start Date Agreed
Performance Framework					10	No		Start Date Agreed
Shared Services Benefits Realisation					10	No		Start Date Agreed
Hertford Theatre Governance Arrangements					25	No		Start Date Agreed
Facilities Management Compliance Project Plan					10	No		Start Date Agreed
Procurement								
Procurement of Planning / Building Control System					8	No		Start Date Agreed
Leisure Services – Third Party Inspections					10	No		Start Date Agreed
Acquisition of Choice-based lettings System					8	No		Start Date Agreed
IT Audits								
IT Help Desk Operations	N/A	-	-	-	0	No	N/A	Cancelled

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
IT Change Control					12	No		Start Date Agreed
IT Asset Management					12	No		Start Date Agreed
Joint Reviews								
NDR Avoidance					10	Yes	8	In Fieldwork
Strategic Support								
2015/16 Audit Planning	N/A	-	-	-	10	N/A		On-going
Audit Committee	N/A	-	-	-	15	N/A	3	On-going
Client Meetings	N/A	-	-	-	10	N/A	2	On-going
Liaison with External Audit	N/A	-	-	-	1	N/A		On-going
Head of Internal Audit Opinion 2013/14	N/A	-	-	-	5	N/A	5	Complete
Plan Monitoring	N/A	-	-	-	10	N/A	2	On-going
SIAS Development	N/A	-	-	-	5	N/A	5	Complete
Contingency								
Unused Contingency	N/A	-	-	-	41	N/A	N/A	On-going
Follow Ups								
Follow up of high priority	N/A				5	N/A	1	On-going

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
recommendations								
2013/14 Projects requiring completion								
Various	N/A				8.5	N/A	8.5	Complete
EHC TOTAL					**435**		**45**	

(Please see Appendix C for details of agreed start months for the above audits).

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 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 presented 09/02/09. Progress report is to be presented to	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. Feb 14 Due March 2014	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
			Business Continuity Group in June.			<u>Jun 14</u> Over 80% of staff now receive services via the new hosted desk top. The remaining staff will be transferred in June and July.	
2.	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 Continuity Plan had been produced but as this was still a	Head of Shared Service	Mar 2012 (originally 31/03/10)	<u>Dec 13</u> IT BCP audit now scheduled for March 2014 in view of shared service developments. <u>Feb 14</u> No change <u>Jun 14</u> A schedule has	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
			work in progress, it had not yet been tested.			been prepared and data migration is underway. Some major systems have already transferred and the remainder will do so in June and July. An audit of these arrangements is scheduled for July 2014.	
3.	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	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	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
			3/9/09.			will ensure that the strategy is delivered no later than March 2014. Feb 14 Due March 2014 Jun 14 An outline strategy has been produced. The full document is being drafted for discussion with CMT, SMG and the portfolio holder for IT before then scheduling a date for Executive. The draft document will be available by the end of June 2014.	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
4.	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.

Zurich has already reviewed the Council's | Director of Neighbourhood Services | Sep 2011 | Dec 13 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.

Feb 14 Due March 2014 | Not implemented – continue to monitor |

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
			strategic risks. This work is being finalised before being put to CMT.			<u>Jun 14</u> The Business Continuity Plan will be revised once the new IT infrastructure is in place to reflect significant improvements in IT resilience and recovery. CMT reviewed critical services and scenarios to plan recovery from were reviewed at CMT on 29 October 2013.	
5.	Business Continuity (IA Report	It is recommended that the Business Continuity	The outcome from the Zurich workshop will	Director of Neighbourhood Services	Sep 2011	<u>Dec 13</u> IT BCP audit now scheduled for	Partially implemented – continue to

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
	7/6/11)	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.	trigger this group.			March 2014 in view of shared service developments. Feb 14 No change Jun 14 The group last met on 19 November 2013. It will meet to consider a new Business Continuity Plan once the new IT infrastructure is in place.	monitor
6.	Business Continuity (IA Report 7/6/11)	As per the 2011/12 Business Support ICT Service Plan it is recommended that the Disaster	The 2011/12 ICT Service Plan contains the required actions of	Head of Shared Service	Not specified	Dec 13 A separate audit of IT BCP is due to be completed by PWC in March 2014. This	Not implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		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.	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 preparation of the ICT BCP was deferred to Sep 11 due to the demands of 3W and changes and improved			work will consider the status and relevance of this recommendation. Feb 14 No change Jun 14 The audit is now scheduled for July 2014.	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
			resilience that have been incorporated into the ICT infrastructure 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.				
7.	Business Continuity Planning (01/10/13)	All departmental business continuity plans and resource recovery	Now that the Shared ICT service is in place and IT	Director of Neighbourhood Services	30 June 2014	Feb 14 Not yet due	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		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. 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	business continuity arrangements are being taken forward then this action will also move forward at the same time. 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			Jun 14 The plan will be reviewed extensively once the new IT infrastructure is in place to reflect significant changes in IT resilience and recovery. CMT reviewed critical services in October 2013. Live business continuity incident occurred in May 2014 when a cable was cut and restoration took place within stipulated four hour timeframe.	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		relevant updates to the BCPs.	provisional schedule for testing recovery plans will be established and reviewed annually. Testing will take place in line with the established schedule.				
8.	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	A new IT business continuity solution is to be implemented now that a Shared Service with Stevenage B.C. is in place.	Head of Shared ICT, Business Improvement and Print and Graphic Design Services	31 March 2014	<u>Feb 14</u> Not yet due <u>Jun 14</u> The solution is now in place and has been successfully tested in a live scenario following	Implemented – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		documented in a sufficient level of detail, and that the business recovery time objectives can be met (or sufficient downtime procedures are defined). The requirements should be periodically reviewed to ensure they remain up to date and appropriate.	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 streamlining business continuity plans with the Business Continuity Group.			the recent cut of the dark fibre link between the two new data centres.	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
9.	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. In addition to this, key stakeholders need to meet and agree on comprehensive roles and responsibilities with regard to business	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	<u>Feb 14</u> Not yet due <u>Jun 14</u> The Business Continuity Plan will be revised once the new IT infrastructure is in place to reflect significant changes in IT resilience and recovery. The revised plan will then proceed to formal approval and sign off. The plan will then be distributed with appropriate training.	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		continuity planning, and these responsibilities should be documented within the plan.					
10.	Hertford Theatre Payments (25/02/14)	Training around the application of Financial Regulations and Contract Procurement Rules should be delivered to all relevant staff to ensure that minimum records are maintained following procurement activities.	Agreed	Tracey Sargent (Procurement Officer)	31 August 2014	Feb 14 Not yet due Jun 14 Not yet due	Not yet due - continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
11.	Facilities Management (27/03/14)	A timetabled action plan should be established to review current long standing arrangements within Facilities Management and agree work consolidation packages such that quotation and tendering exercises as required by EHC Procurement Regulations, and EU law if applicable, can be conducted. Immediate priority should be given to the highest value	A project plan has been produced with the Procurement Officer with responsible officers highlighted to ensure quotation and tendering exercises are followed. The project plan will need reviewing in light of this audit to include long standing arrangements.	Head of People & Property Services/ Facilities Manager / Procurement Officer	Project plan to be agreed April 2014	<u>Jun 14</u> The project plan has been agreed by CMT, the service and procurement. Progress to-date is reported in the CMT report 24 June 14.	Implemented – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		contracts, namely those with Edmund Services and M&D.					
12.	Facilities Management (27/03/14)	Management should ensure that existing contract information is collated as part of its review of long standing arrangements and that going forward records are kept in line with Procurement Regulations.	Facilities Manager to discuss with Procurement Officer how and what information is needed to establish a system of holding this information in an accurate and efficient way.	Head of People & Property Services/ Facilities Manager / Procurement Officer	To agree system by May 2014. Target date revised to September 2014.	Jun 14 Discussions between the two officers are on-going but a system is not yet in place.	Not implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
13.	Facilities Management (27/03/14)	Management should evaluate the financial and resourcing costs of working with current contractors to ensure management information is effectively documented against the costs of starting the process of gathering management information under a newly appointed contractor after a procurement exercise.

Management | A project plan has been produced with the Procurement Officer with responsible officers highlighted to ensure quotation and tendering exercises are followed. The project plan will need reviewing in the light of this audit to include long standing arrangements to include specific | Head of People & Property Services/ Facilities Manager / Procurement Officer | Project plan to be agreed April 2014

To be reviewed to include property contracts QTR1 14/15 | Jun 14
The project plan has been agreed by CMT, the service and procurement. Progress to-date was reported in the CMT report 24 June 14. The capital programme project management template has been agreed which include procurement actions and is currently being populated by the Property team for capital programme 2014/15. | Implemented – remove from list |

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		Information is a key requirement for moving forward with future procurement exercises to ensure that the specification clearly defines the Council's requirements. Without this information the specification could be too generic/open to provide the Council with robust contracts. An exercise must be carried out in accordance with the agreed way	property contracts				

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments	SIAS Comment (Jun 14)
		forward to gather management information with incumbent suppliers Maintenance and monitoring of management information must be considered for specification for future procurement exercises.					

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
	NDR Avoidance	Recruitment		Leisure Services Third Party Inspections	Fees & Charges	Enforcement	Main Financial Systems (9 Reviews)		Performance Framework		
	Section 106 Agreements			Community Grants	Hertford Theatre		Shared Services Benefits Realisation		IT Asset Management		
	Payroll Certificate				Cash & Banking		Parking Permits		Facilities Management Compliance Project Plan		
					Local Development Plan		Procurement of Planning / Building Control System		Acquisition of Choice Based Lettings System		
					IT Change Control						