



East Herts Council  
Audit Committee Progress Report  
18 March 2015

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report;  
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 2014/15 as at 27 February 2015.
  - 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 27 February 2015.

## Background

- 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 21 January 2015.
- 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 27 February 2015, 86% 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 2014/15 reports have been finalised since 5 January 2015 (cut-off date for January 2015 Audit Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
AGS Benchmarking	Jan '15	N/A	N/A
Creditors (CRSA Year 2)	Jan '15	Full	None
Benefits	Jan '15	Substantial	None (comment in Executive Summary affects overall assurance opinion)
Leisure Services – Third Party Inspections	Jan '15	Moderate	Ten medium Two merits attention
Treasury Management	Jan '15	Moderate	Four medium
Fees and Charges	Feb '15	Full	None
IT Business Continuity Planning	Feb '15	Substantial	One medium One merits attention
IT Change Control	Feb '15	Substantial	One high
Main Accounting System	Feb '15	Full	None

#### 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 the attention of Members 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 There are no further changes to the 2014/15 Audit Plan for the Committee to consider.

## Performance Management

- 2.5 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.
- 2.6 As at 27 February 2015 actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 27 February 2015</b>	<b>Actual to 27 February 2015</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90%	86%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	76% (22 of 29 projects to draft)	76% (22 of 29 projects to draft)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

2.7 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 Auditor's 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 2014/15 AUDIT PLAN AS AT 27 FEBRUARY 2015

### 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				
<b>Key Financial Systems</b>								
Asset Management (CRSA Year 1)					14	Yes	13	Draft report issued
Benefits	Substantial	0	0	0	15	Yes	15	Final report issued
Council Tax	Substantial	0	1	0	12	Yes	12	Final report issued
Creditors (CRSA Year 2)	Full	0	0	0	8	Yes	8	Final report issued
Debtors (CRSA Year 2)	Full	0	0	0	8	Yes	8	Final report issued
Main Accounting (CRSA Year 1)	Full	0	0	0	10	Yes	10	Final report issued
NDR	Substantial	0	3	1	12	Yes	12	Final report issued
Payroll (CRSA Year 1)					10	Yes	9	Draft report issued
Payroll Certificate	Not Assessed	-	-	-	0.5	Yes	0.5	Complete
Treasury	Moderate	0	4	0	10	Yes	10	Final report issued
<b>Operational Audits</b>								
Enforcement					15	Yes	1.5	In planning – to start 16 March 2015
Parking Permits	Substantial	0	2	0	10	Yes	10	Final report issued
District Plan (consultation process)	Full	0	0	0	12	Yes	12	Final report issued
S106 Agreements	Moderate	1	2	1	13	Yes	13	Final report issued
Cash and Banking					12	Yes	4	In fieldwork

**APPENDIX A PROGRESS AGAINST THE 2014/15 AUDIT PLAN AS AT 27 FEBRUARY 2015**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Fees and Charges	Full	0	0	0	15	Yes	15	Final report issued
Recruitment	Moderate	1	1	1	15	Yes	15	Final report issued
Community Grants	Full	0	0	0	15	Yes	15	Final report issued
Performance Framework					12	PwC	8	In fieldwork
Shared Services Benefits Realisation					10	Yes	6	In fieldwork
Hertford Theatre Governance Arrangements					30	PwC	29	Draft report issued
Facilities Management Compliance Project Plan					10	Yes	1	To commence March 2015
Data Protection					15	Yes	6	In fieldwork
<b>Procurement</b>								
Procurement of Planning / Building Control System	N/A	-	-	-	0	N/A	0	Audit cancelled
Leisure Services – Third Party Inspections	Moderate	0	10	2	10	Yes	10	Final report issued
Acquisition of Choice-based lettings System	N/A	-	-	-	0	N/A	0	Audit cancelled
<b>IT Audits</b>								
Business Continuity Planning	Substantial	0	1	1	12	PwC	12	Final report issued
IT Help Desk Operations	N/A	-	-	-	0	N/A	0	Audit cancelled



**APPENDIX A PROGRESS AGAINST THE 2014/15 AUDIT PLAN AS AT 27 FEBRUARY 2015**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
IT Change Control	Substantial	1	0	0	12	PwC	12	Final report issued
IT Asset Management					12	Yes	7	In fieldwork
<b>Joint Reviews</b>								
NDR Avoidance	Substantial	0	0	1	10	Yes	10	Final report issued
Benchmarking of AGS	N/A	-	-	-	2	Yes	2	Final report issued
<b>Strategic Support</b>								
2015/16 Audit Planning	N/A	-	-	-	10	N/A	10	Complete
Audit Committee	N/A	-	-	-	15	N/A	14	On-going
Client Meetings	N/A	-	-	-	10	N/A	9	On-going
Liaison with External Audit	N/A	-	-	-	1	N/A	1	Complete
Head of Internal Audit Opinion 2013/14	N/A	-	-	-	5	N/A	5	Complete
Plan Monitoring	N/A	-	-	-	10	N/A	9	On-going
SIAS Development	N/A	-	-	-	5	N/A	5	Complete
<b>Contingency</b>								
Unused Contingency	N/A	-	-	-	24	N/A	N/A	On-going
<b>Follow Ups</b>								
Follow up of high priority recommendations	N/A				5	N/A	5	Complete
<b>2013/14 Projects requiring completion</b>								

**APPENDIX A PROGRESS AGAINST THE 2014/15 AUDIT PLAN AS AT 27 FEBRUARY 2015**

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Various	N/A				8.5	N/A	8.5	Complete
<b>EHC TOTAL</b>					<b>435</b>		<b>352.5</b>	

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments (Last 12 months only)	SIAS Comment (Feb 15)
1.	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)  Now September 2014	<p><u>Feb 14</u> Due March 2014</p> <p><u>Jun 14</u> 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.</p> <p><u>Sep 14</u> The revised date for making the draft</p>	Partially implemented – continue to monitor

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						<p>IT Strategy available for discussion is the end of September 2014.</p> <p><u>Dec 14</u> The East Herts IT Strategy, effective April 2015, has now been drafted. Consultation with senior management is expected to commence in the next few weeks.</p> <p><u>Feb 15</u> The ICT Strategy has been drafted. It was submitted to</p>	

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						ITSG in January and SMG earlier this month. It was due to go to CMT on 24 February and it will then be submitted to Corporate Business Scrutiny Committee in March 2015.	
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	The current East Herts Council Business Continuity Plan was sufficient, but it did not take into account C3W. Recognising	Director of Neighbourhood Services	Sep 2011	<p><u>Feb 14</u> Due March 2014</p> <p><u>Jun 14</u> The Business Continuity Plan will be revised once the new IT infrastructure is in place to reflect</p>	Not implemented – continue to monitor

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		available on the intranet.	<p>this, we have engaged Zurich Ins Co. to conduct a scoping workshop 14<sup>th</sup> July.</p> <p>Zurich has already reviewed the Council's strategic risks. This work is being finalised before being put to CMT.</p>			<p>significant improvements in IT resilience and recovery. CMT reviewed critical services and scenarios to plan recovery from were reviewed at CMT on 29 Oct 2013.</p> <p><u>Sep 14</u> See note at recommendation 2.</p> <p><u>Dec 14</u> Now that the IT solution is nearing full implementation, the Council's Business Continuity</p>	

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						<p>Group is to reconvene in January 2015. Managers within critical services will be asked to develop continuity plans for their service in February 2015. In the meantime the core of the existing plan has been reviewed and updated.</p> <p><u>Feb 15</u> Business Continuity Group met in January 2015. Meetings have subsequently taken</p>	

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						place with every critical service and questionnaires / business continuity planning templates issued for return by 1 <sup>st</sup> April 2015.	
3.	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>Jun 14</u> 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.</p> <p><u>Sep 14</u> See note at recommendation 2.</p>	Partially implemented – continue to monitor



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						<p><u>Dec 14</u> Business Continuity Group to reconvene on 12<sup>th</sup> January 2015.</p> <p><u>Feb 15</u> Business Continuity Group met in January 2015. To meet again in April 2015 when questionnaires and plans are received from services.</p>	
4.	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	<p><u>Feb 14</u> Not yet due</p> <p><u>Jun 14</u></p>	Partially implemented – continue to monitor

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		<p>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.</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</p>	<p>business continuity arrangements 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</p>			<p>The plan will be reviewed extensively once the new IT infrastructure is in place to reflect significant changes in IT resilience and recovery.</p> <p>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.</p>	

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		reviewed to make relevant updates to the BCPs.	Recommendation 2. A provisional schedule for testing recovery plans will be established and reviewed annually. Testing will take place in line with the established schedule.			<p><u>Sep 14</u> See note at recommendation 2.</p> <p><u>Dec 14</u> See note at recommendation 4.</p> <p>A test will be conducted once the plan is complete.</p> <p><u>Feb 15</u> See item 2.</p>	
5.	Business Continuity Planning (01/10/13)	Once the actions related to findings 1 and 2 have been completed, the Council needs to	Now that the Shared ICT service is in place and IT business	Director of Neighbourhood Services	31 March 2014	<p><u>Feb 14</u> Not yet due</p> <p><u>Jun 14</u> The Business</p>	Partially implemented – continue to monitor

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		<p>get the Business Continuity Plan formally approved and signed off, so that it can be distributed to the relevant members of staff.</p> <p>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</p>	<p>continuity arrangements are being taken forward then this action will also move forward at the same time.</p>			<p>Continuity Plan will be revised once the new IT infrastructure is in place to reflect significant changes in IT resilience and recovery.</p> <p>The revised plan will then proceed to formal approval and sign off. The plan will then be distributed with appropriate training.</p> <p><u>Sep 14</u> See note at recommendation 2.</p>	

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		documented within the plan.				<p><u>Dec 14</u>                      The plan will be formally signed off and distributed once complete. Roles and responsibilities of senior management and other key staff have been agreed previously. Information cascades will be reviewed in January / February 2015 and documented in the plan.</p>	

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						<u>Feb 15</u> As per December 2014 comment.	
6.	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  Now December 2014	<u>Feb 14</u> Not yet due  <u>Jun 14</u> Not yet due  <u>Sep 14</u> The Procurement Team have already started to provide training to Hertford Theatre staff and it is envisaged that this will encourage better business practice. This is an on-going piece of	Implemented – remove from list

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						<p>work that will form part of general Procurement training throughout the Council now that a full-time Procurement Officer is in post. Revised target date December 2014.</p> <p><u>Dec 14</u> Further training opportunities will be offered during 2015. Staff are reminded by email if there are possible breaches of any regulations.</p>	

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						<p><u>Feb 15</u>            Appropriate information has been conveyed to all key staff. Revised Financial and Procurement Regulations are currently under consultation, with a view to coming into force from May 2015. Appropriate levels of training for all staff will then follow.</p>	
7.	IT Change Control (17/02/15)	Developers' access to the production environment should be restricted.	As it not practical to restrict developers'	Information Systems Manager	April 2015	<p><u>Feb 15</u>            Not yet due.</p>	Not implemented – continue to monitor



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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments (Last 12 months only)	SIAS Comment (Feb 15)
		Where this may not be possible due to the number of staff, detective monitoring controls should be implemented such as independent periodic review of a sample of changes implemented.	access to the production environment for the reasons noted by the auditor, detective monitoring controls will be implemented as proposed, on a sample basis.				

## APPENDIX C AUDIT PLAN ITEMS (APRIL 2014 TO MARCH 2015) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
	NDR Avoidance	Recruitment		Leisure Services Third Party Inspections	Fees & Charges		Main Financial Systems (9 Reviews)	AGS Benchmarking (Joint Review)	Performance Framework	Cash & Banking	Facilities Management Compliance Project Plan
	Section 106 Agreements			Community Grants	Hertford Theatre		Parking Permits	Enforcement	Data Protection	IT Asset Management	
	Payroll Certificate				District Plan (Consultation Process)				Shared Services Benefits Realisation		
					IT Change Control						
					Business Continuity						