East Herts Council
Audit Committee Progress Report
15 July 2015

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report; 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 2015/16 as at 19 June 2015.
  b) Proposed amendments to the approved 2015/16 Audit Plan.
  c) Implementation status of previously agreed high priority audit recommendations.
  d) An update on performance management information as at 19 June 2015.

Background

1.2 The 2015/16 Audit Plan was approved by Audit Committee on 18 March 2015.

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 March 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 19 June 2015, 14% of the 2015/16 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

2.2 Eight audits providing assurance to the Audit Committee have been finalised since the March 2015 meeting of this Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Asset Management (CRSA Year 1)	Mar '15	Substantial	None
Payroll (CRSA Year 1)	Mar '15	Full	None
Cash and Banking	Mar '15	Full	None
Performance Framework / Healthcheck Benchmarking	Mar '15	N/A	N/A – benchmarking review
Hertford Theatre Governance Arrangements	Mar '15	N/A	N/A – consultancy review
FM Compliance Project Plan	Apr '15	Moderate	Three medium Five merits attention
Enforcement	Apr '15	N/A	N/A – consultancy review
IT Asset Management	May '15	Substantial	Four medium

All of the above are 2014/15 reports. No 2015/16 reports have yet been finalised.

High Priority Recommendations

2.3 A Final Audit Report is issued when agreed by management; this includes an agreement to implement 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 changes to the 2015/16 Audit Plan for the Committee to consider.

<u>Performance Management</u>

2.5   Annual performance indicators and associated targets were approved by the SIAS Board in 2011 and are reviewed annually by the Board.

2.6   As at 19 June 2015 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 19 June 2015	Actual to 19 June 2015
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	15%	14%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	7% (2 of 29 projects to draft)	3% (1 of 29 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	No reports yet finalised
4. Number of High Priority Audit Recommendations agreed	95%	95%	No reports yet finalised

2.7　In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2015/16 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.

2015/16 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 (CRSA Year 2) / Strategy					15	Yes	0	Planned for Q4
Benefits					15	Yes	0	Planned for Q3
Council Tax					12	Yes	0.5	Early Planning
Creditors					12	Yes	0	Planned for Q3
Debtors					12	Yes	0	Planned for Q4
Main Accounting (CRSA Year 2)					8	Yes	0	Planned for Q4
NDR					12	Yes	0.5	Early Planning
Payroll (CRSA Year 2)					8	Yes	0.5	Early Planning
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury					8	Yes	0	Planned for Q3
Operational Audits								
FM Compliance Plan					15	Yes	0	Planned for Q3
Homelessness					15	Yes	10	In fieldwork
Policy Review					15	Yes	5.5	In fieldwork
Insurance					12	Yes	5	In fieldwork
Members Allowances & Expenses					10	Yes	1	In planning
Public Health Burials					10	Yes	0.5	In planning

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Section 106 Agreements					15	Yes	0	Planned for Q3
Street Markets					15	Yes	0	Planned for Q3
Development Management					15	Yes	0	Planned for Q3
Operational Risk Management					12	Yes	7	In fieldwork
Procurement								
Procurement and Contract Management					25	Yes	0	Planned for Q2
Veolia Waste Contract					15	Yes	0	Planned for Q3
Follow Up of Leisure Services Contractor Compliance					6	Yes	0	Planned for Q4
Procurement of Locata system (Housing)					10	Yes	0	Planned for Q4
Land Drainage Contract					10	Yes	0	Planned for Q3
IT Audits								
Software Licensing					8	Yes	0	
IT Helpdesk					8	Yes	0	Planned for Q2
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					2	No	0.5	On-going
Audit Committee Workshop					1	No	0	Planned for Q3

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Joint Review – Risk Management Benchmarking Workshop					2	Yes	0	Planned for Q3
Strategic Support								
2016/17 Audit Planning					10	N/A	0	Planned for Q3/4
Audit Committee					15	N/A	3	On-going
Client Meetings					10	N/A	2	On-going
Liaison with External Audit					1	N/A	0.5	On-going
Head of Internal Audit Opinion 2014/15					5	N/A	5	Complete
Plan Monitoring					10	N/A	2	On-going
SIAS Development					5	N/A	5	Complete
Contingency								
Unused Contingency					0	N/A	0	N/A
Follow Ups								
Follow up of high priority recommendations					5	N/A	1	On-going
2014/15 Projects requiring completion								
Various					15	Yes	6	On-going

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
EHC TOTAL					400		56.5	

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 (Jun 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	<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. <u>Sep 14</u> The revised date for making the draft IT Strategy available for discussion is the	Implemented – remove from list

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments (Last 12 months only)	SIAS Comment (Jun 15)
						end of September 2014. Dec 14 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. Feb 15 The ICT Strategy has been drafted. It was submitted to ITSG in January and SMG earlier this month. It was	

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						due to go to CMT on 24 February and it will then be submitted to Corporate Business Scrutiny Committee in March 2015. Jun15 The strategy was submitted to CBS in March as planned and was approved by Executive in June. The strategy is now live.	
2.	Business Continuity (IA Report 7/6/11)	It is recommended that the Business Continuity Plan is reviewed annually.	The current East Herts Council Business	Director of Neighbourhood Services	Sep 2011	Jun 14 The Business Continuity Plan will be revised once the	Not implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments (Last 12 months only)	SIAS Comment (Jun 15)
		It is further recommended that the Business Continuity Plan is communicated to staff and made available on the intranet.	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 strategic risks. This work is being finalised			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 Oct 2013. Sep 14 See note at recommendation 2. Dec 14 Now that the IT solution is nearing	

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			before being put to CMT.			full implementation, the Council's Business Continuity 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. Feb 15 Business Continuity Group met in	

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Target Date	History of Management Comments (Last 12 months only)	SIAS Comment (Jun 15)
						January 2015. Meetings have subsequently taken place with every critical service and questionnaires / business continuity planning templates issued for return by 1st April 2015. Jun 15 Critical service questionnaires returned and plan updated. Test will take place shortly to identify strengths and weaknesses of plan.	

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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	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. Sep 14 See note at recommendation 2. Dec 14 Business Continuity Group to reconvene on 12th January 2015.	Partially implemented – continue to monitor

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						Feb 15 Business Continuity Group met in January 2015. To meet again in April 2015 when questionnaires and plans are received from services. Jun 15 See note at recommendation 2.	
4.	Business Continuity Planning (01/10/13)	All departmental business continuity plans and resource recovery questionnaires should be reviewed	Now that the Shared ICT service is in place and IT business continuity	Director of Neighbourhood Services	30 June 2014	Jun 14 The plan will be reviewed extensively once the new IT infrastructure is in	Partially implemented – continue to monitor

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		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 relevant updates to	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 Recommendati on 2. A			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. Sep 14 See note at recommendation 2.	

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		the BCPs.	provisional schedule for testing recovery plans will be established and reviewed annually. Testing will take place in line with the established schedule.			Dec 14 See note at recommendation 4. A test will be conducted once the plan is complete. Feb 15 See item 2. Jun15 See note at recommendation 2.	
5.	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	Now that the Shared ICT service is in place and IT business continuity	Director of Neighbourhood Services	31 March 2014	Jun 14 The Business Continuity Plan will be revised once the new IT infrastructure is in	Partially 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 (Jun 15)
		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 continuity planning, and these responsibilities should be documented within	arrangements are being taken forward then this action will also move forward at the same time.			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. Sep 14 See note at recommendation 2. Dec 14 The plan will be formally signed off	

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		the plan.				and distributed once complete. Roles and responsibilities of senior management and other key staff have been been agreed previously. Information cascades will be reviewed in January / February 2015 and documented in the plan. Feb 15 As per December 2014 comment.	

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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 (Jun 15)
						Jun15 Statement of intent from Directors included in Plan. Contact list / information cascade close to completion.	
6.	IT Change Control (17/02/15)	Developers' access to the production environment should be restricted. Where this may not be possible due to the number of staff, detective monitoring controls should be implemented such as independent	As it not practical to restrict developers' access to the production environment for the reasons noted by the auditor, detective monitoring	Information Systems Manager	April 2015	Feb 15 Not yet due.

Jun 15 I can confirm that we have identified a process for checking a random sample of standard changes on a quarterly basis. These will be | Implemented – remove from list |

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		periodic review of a sample of changes implemented.	controls will be implemented as proposed, on a sample basis.			evidenced in writing and the process will begin at the end of the first quarter of 2015/16, in June.	

APPENDIX C   AUDIT PLAN ITEMS (APRIL 2015 TO MARCH 2016) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Certificate	Homelessness	Operational Risk Management	Members Allowances & Expenses	Procurement & Contract Management	Main Financial Systems (9 Reviews)	FM Planned Maintenance Programme	Section 106 Agreements	Veolia Waste Contract	Follow Up Leisure Services Contractor Compliance	Acquisition of Locata System	Software Licensing
Policy Review		Insurance			Public Health Burials	Development Management	Street Markets	Land Drainage Contract			
					IT Helpdesk			Risk Mgmt – Joint Review			