SIAS
Shared Internal Audit Service
Hertfordshire in Partnership

East Herts Council
Audit Committee Progress Report
20 January 2016

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report;
- Approve amendments to the Audit Plan as at 1 January 2016; and
- Note the status of 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 2015/16 as at 1 January 2016.
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 1 January 2016.

<u>Background</u>

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 23 September 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

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

2.1　As at 1 January 2016, 73% 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   Ten projects providing assurance to the Audit Committee have been finalised since the September 2015 meeting of this Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Public Health Burials	Oct '15	Full	None
Main Accounting (CRSA)	Oct '15	Full	None
Repair and Renew Flood Grant	Oct '15	N/A	N/A
Creditors	Nov '15	Substantial	One medium
Payroll (CRSA)	Nov '15	Full	None
Risk Management Benchmarking	Dec '15	N/A	N/A
Council Tax	Dec '15	Substantial	None
Data Protection	Dec '15	Full	None
Debtors	Dec '15	Substantial	Two medium One merits attention
Benefits	Jan '16	Full	None

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   Since September 2015 Audit Committee, the following deletions from, and additions to the 2015/16 Audit Plan have been agreed with Officers of the Council. These are detailed below for Audit Committee approval:

Deleted Audits (days returned to contingency):
- Procurement of Locata system for Housing (10 days)
  In practice the Council acquired additional modules to an existing system through a joint process with four other Councils (led by Epping Council). Management have no concerns over this process and therefore no audit is required.

- Land Drainage Contract (10 days)
  Procurement is not sufficiently advanced for assurance provision in 2015/16. To be considered for inclusion in the 2016/17 Audit Plan.

New Audits (days allocated from contingency):
- Housing Allocations (10 days)
  Review of applications to join the Housing Register and subsequent placement with social landlords via the Choice Based Lettings system.
- BACS (4 days)
  Review installation of new Paygate BACS software and revised in-house procedures.
- Cash Handling in Environmental Health (3 days)
  Review controls over income collected by Environmental Health Officers

Changes to existing audits (days allocated from contingency):
- Procurement and Contract Management (3 days)
  Additional time to support delivery of extensive scope agreed with management.

Performance Management

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 1 January 2016 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 1 January 2016	Actual to 1 January 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	75%	73%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	65% (20 of 31 projects to draft)	61% (19 of 31 projects to draft)
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 yet made in 2015/16

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					13.5	Yes	3	In fieldwork
Benefits	Full	0	0	0	15	Yes	15	Final report issued
Council Tax	Substantial	0	0	0	12	Yes	12	Final report issued
Creditors	Substantial	0	1	0	12	Yes	12	Final report issued
Debtors	Substantial	0	2	1	12	Yes	12	Final report issued
Main Accounting (CRSA Year 2)	Full	0	0	0	8	Yes	8	Final report issued
NDR					12	Yes	11.5	Draft report issued
Payroll (CRSA Year 2)	Full				8	Yes	8	Final report issued
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury (CRSA Year 1)					8	Yes	7.5	Draft report issued
Operational Audits								
FM Compliance Plan					15	Yes	1	In planning – due to start February 2016
Homelessness	Full	0	0	0	15	Yes	15	Final report issued
Policy Review	Moderate	0	3	1	15	Yes	15	Final report issued
Insurance	Substantial	0	2	0	12	Yes	12	Final report issued
Members Allowances & Expenses	Full	0	0	0	10	Yes	10	Final report issued
Public Health Burials	Full	0	0	0	10	Yes	10	Final report issued

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	2	Terms of reference issued – due to start January 2016
Street Markets					15	Yes	3	In planning
Development Management					15	Yes	13	In fieldwork
Operational Risk Management	Substantial	0	1	1	12	Yes	12	Final report issued
Data Protection	Substantial	0	0	0	12	Yes	12	Final report issued
Repair and Renew Flood Grant	N/A	-	-	-	1.5	Yes	1.5	Complete
Housing Allocations					10	Yes	1	Terms of reference issued – due to start January 2016
Cash Handling (Environmental Health)					3	Yes	0	Due to start March 2016
BACS					4	Yes	0	Due to start January 2016
Procurement								
Procurement and Contract Management					28	Yes	26	Draft report issued
Veolia Waste Contract					15	Yes	10	In fieldwork
Follow Up of Leisure Services Contractor Compliance					6	No	0	Due to start January 2016
Land Drainage Contract					0	N/A	0	Audit cancelled

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Procurement of Locata system (Housing)					0	N/A	0	Audit cancelled
IT Audits								
Software Licensing					8	Yes	1	In planning – due to start March 2016
IT Helpdesk					8	Yes	4	Terms of reference issued – due to start February 2016
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					2	No	1.5	On-going
Audit Committee Workshop					1	No	0	Planned for Q4
Joint Review – Risk Management Benchmarking Workshop	N/A	-	-	-	2	Yes	2	Complete
Strategic Support								
2016/17 Audit Planning					10	N/A	7	In progress
Audit Committee					15	N/A	11	On-going
Client Meetings					10	N/A	7.5	On-going
Liaison with External Audit					1	N/A	1	Complete
Head of Internal Audit Opinion					5	N/A	5	Complete

APPENDIX A   PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 1 JANUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
2014/15								
Plan Monitoring					10	N/A	7.5	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	4	On-going
2014/15 Projects requiring completion								
Various					3	Yes	3	Complete
EHC TOTAL					**400**		**293**	

APPENDIX B   IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Jan 16)
1.	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	<u>Jun 15</u> Critical service questionnaires returned and plan updated. Test will take place shortly to identify strengths and weaknesses of plan. <u>Sep 15</u> Business Continuity Plan review / preparation for test taking place 30 September 2015. <u>Dec 15</u> No progress. Graduate trainee allocated to project in attempt to	Not implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Jan 16)
			strategic risks. This work is being finalised before being put to CMT.			complete by 31st March 2016.	
2.	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 15 See note at recommendation 1. Sep 15 See note at recommendation 1. Business Continuity Group meets quarterly. Dec 15 See note at recommendation 1. Business Continuity Group meets	Partially implemented – continue to monitor

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						quarterly.	
3.	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.

In addition to this, a periodic rolling programme of disaster recovery | 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.

Information captured by services in their Business Recovery | Director of Neighbourhood Services | 30 June 2014 | Jun15 See note at recommendation 1.

Sep 15 Critical service questionnaires returned and plan updated.

Dec 15 See note at recommendation 1. | Partially implemented – continue to monitor |

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		testing (at minimum requiring some downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the BCPs.	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 annually. Testing will take place in line with the established schedule.				

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4.	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>Jun15</u> Statement of intent from Directors included in Plan. Contact list / information cascade close to completion. <u>Sep 15</u> As per June 2015 comment. <u>Dec 15</u> See note at recommendation 1.	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Jan 16)
		continuity planning, and these responsibilities should be documented within the plan.					

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 Complete	**Homelessness** Final report issued	**Operational Risk Management** Final report issued	**Members Allowances & Expenses** Final report issued	**Procurement & Contract Management** Draft report issued	**Benefits** Final report issued	**FM Planned Maintenance Programme** In planning - start date moved to Feb 16 at client's request	**Street Markets** In planning – audit to start Jan 16	**Veolia Waste Contract** In fieldwork	**Follow Up Leisure Services Contractor Compliance** Audit to start Jan 16	**IT Helpdesk** ToR issued – start date moved to Feb 16 at client's request	**Software Licensing** In planning – audit to start Mar 16
Policy Review Final report issued		**Insurance** Final report issued		**Repair and Renew Grant** Complete	**Public Health Burials** Final report issued	**Development Management** In fieldwork	**Treasury Mgmt** Draft report issued		**Asset Mgmt** In fieldwork		**Cash Handling (Env Health)** Audit to start Mar 16
		Data Protection Final report issued				**Council Tax** Final report issued	**Risk Mgmt Joint Review** Completed		**Section 106** ToR issued – audit to start Jan 16		

					Creditors Final report issued	**NDR** Draft report issued			**Housing Allocations** ToR issued – audit to start Jan 16		
					Debtors Final report issued	**Main Accounting** Final report issued			**BACS** Audit to start Jan 16		
						Payroll Final report issued					