



East Herts Council
Audit Committee Progress Report
16 March 2016

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report;
- Approve amendments to the Audit Plan as at 26 February 2016; and
- Note the status of 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 2015/16 as at 26 February 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 26 February 2016.

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 20 January 2016.
- 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 26 February 2016, 89% of the 2015/16 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.
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2.2 Four projects providing assurance to the Audit Committee have been finalised since the January 2016 meeting of this Committee.

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Treasury Management (CRSA)	Jan '16	Substantial	N/A
NDR	Jan '16	Substantial	None
Procurement & Contract Management	Jan '16	Moderate	Four medium One merits attention
Asset Management (CRSA)	Feb '16	Substantial	N/A

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 January 2016 Audit Committee, the following changes to the 2015/16 Audit Plan have been agreed with Officers of the Council and are detailed below for Audit Committee approval:

- BACS (4 days) / Cash Handling in Environmental Health (3 days)
Both audits (added to the plan in January 2016) deleted to provide additional days to extend scope of the Leisure Service Contract audit (see below). BACS audit included in the draft 2016/17 Audit Plan.
 - Leisure Services Contractor Compliance
Additional 7 days to extend scope to include provision of advice on the level and format of financial
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information required from the contractor (SLM) to allow the Council to be assured that the declared net income / expenditure and loss / surplus in relation to the Council contract is transparent, genuine and accurate.

Performance Management

- 2.5 Annual performance indicators and associated targets were approved by the SIAS Board and are reviewed annually.
- 2.6 As at 26 February 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 26 February 2016	Actual to 26 February 2016
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90%	89%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	79% (23 of 29 projects to draft)	76% (22 of 29 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.
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APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 26 FEBRUARY 2016

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	Substantial	0	0	0	13.5	Yes	13.5	Final report issued
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	Substantial	0	0	0	12	Yes	12	Final 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)	Substantial	0	0	0	8	Yes	8	Final report issued
Operational Audits								
FM Compliance Plan					15	Yes	4	In fieldwork
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

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 26 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Public Health Burials	Full	0	0	0	10	Yes	10	Final report issued
Section 106 Agreements					15	Yes	9	In fieldwork
Street Markets					15	Yes	13	In fieldwork
Development Management					15	Yes	14	In quality review
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	9	Draft report issued
Cash Handling (Environmental Health)					0	N/A	0	Audit cancelled
BACS					0	N/A	0	Audit cancelled
Procurement								
Procurement and Contract Management	Moderate	0	4	1	28	Yes	28	Final report issued
Veolia Waste Contract					15	Yes	14	Draft report issued
Leisure Services Contractor Compliance					13	No	4	In fieldwork
Land Drainage Contract					0	N/A	0	Audit cancelled
Procurement of Locata system (Housing)					0	N/A	0	Audit cancelled

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 26 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
IT Audits								
Software Licensing					8	Yes	4	In fieldwork
IT Helpdesk					8	Yes	4	In fieldwork
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					2	N/A	2	Complete
Audit Committee Workshop					1	N/A	1	Complete
Joint Review – Risk Management Benchmarking Workshop	N/A	-	-	-	2	Yes	2	Complete
Strategic Support								
2016/17 Audit Planning					10	N/A	10	Complete
Audit Committee					15	N/A	13	On-going
Client Meetings					10	N/A	9	On-going
Liaison with External Audit					1	N/A	1	Complete
Head of Internal Audit Opinion 2014/15					5	N/A	5	Complete
Plan Monitoring					10	N/A	9	On-going
SIAS Development					5	N/A	5	Complete

APPENDIX A PROGRESS AGAINST THE 2015/16 AUDIT PLAN AS AT 26 FEBRUARY 2016

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Contingency								
Unused Contingency					0	N/A	0	N/A
Follow Ups								
Follow up of high priority recommendations					5	N/A	5	Complete
2014/15 Projects requiring completion								
Various					3	Yes	3	Complete
EHC TOTAL					400		357	

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 (Feb 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 14 th July. Zurich has already reviewed the Council's	Director of Neighbourhood Services	Sep 2011	<p><u>Jun 15</u> Critical service questionnaires returned and plan updated. Test will take place shortly to identify strengths and weaknesses of plan.</p> <p><u>Sep 15</u> Business Continuity Plan review / preparation for test taking place 30 September 2015.</p> <p><u>Dec 15</u> No progress. Graduate trainee allocated to project in attempt to</p>	Not implemented – continue to monitor

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 (Feb 16)
			strategic risks. This work is being finalised before being put to CMT.			complete by 31 st March 2016. <u>Mar 16</u> As per Dec 15 update.	
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	<u>Jun 15</u> See note at recommendation 1. <u>Sep 15</u> See note at recommendation 1. Business Continuity Group meets quarterly. <u>Dec 15</u> See note at recommendation 1. Business Continuity	Partially implemented – continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
						<p>Group meets quarterly.</p> <p><u>Mar 16</u> As per Dec 15 update.</p>	
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.	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	30 June 2014	<p><u>Jun15</u> See note at recommendation 1.</p> <p><u>Sep 15</u> Critical service questionnaires returned and plan updated.</p> <p><u>Dec 15</u> See note at recommendation 1.</p>	Partially implemented – continue to monitor

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No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (Feb 16)
		<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>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 provisional schedule for testing recovery plans will be established and reviewed annually. Testing will</p>			<p><u>Mar 16</u> Critical services have completed resource requirement questionnaires and the plan has been updated. Graduate trainee has been allocated to assist the project completion this financial year. Test is planned for March/ April 2016</p>	

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 (Feb 16)
			take place in line with the established schedule.				
4.	Business Continuity Planning (01/10/13)	<p>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.</p> <p>In addition to this, key stakeholders need to meet and</p>	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	<p><u>Jun15</u> Statement of intent from Directors included in Plan. Contact list / information cascade close to completion.</p> <p><u>Sep 15</u> As per June 2015 comment.</p> <p><u>Dec 15</u> See note at recommendation 1.</p>	Partially implemented – continue to monitor

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 (Feb 16)
		agree on comprehensive roles and responsibilities with regard to business continuity planning, and these responsibilities should be documented within the plan.				<u>Mar 16</u> Statement of intent from Directors is included in the plan. Director of Finance & Support Services has instructed project completion this financial year. Gold command updated to reflect staffing changes.	

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 Final report issued	Benefits Final report issued	FM Planned Maintenance Programme In fieldwork - start moved to Feb 16 at client's request	Street Markets In fieldwork – started Jan 16	Veolia Waste Contract Draft report issued	Follow Up Leisure Services Contractor Compliance In fieldwork	IT Helpdesk In fieldwork	Software Licensing In fieldwork
Policy Review Final report issued		Insurance Final report issued		Repair and Renew Grant Complete	Public Health Burials Final report issued	Development Management In quality review	Treasury Mgmt Final report issued		Asset Mgmt Final report issued		
		Data Protection Final report issued			Debtors Final report issued	Council Tax Final report issued	Risk Mgmt Joint Review Completed		Section 106 In fieldwork		
					Creditors Final	NDR Final report			Housing Allocations		

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

					report issued	issued			Draft report issued		
						Main Accounting					
						Final report issued					
						Payroll					
						Final report issued					