



East Herts Council  
Audit and Governance Committee  
SIAS Progress Report  
21 September 2016

Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report;  
and
- Note the status of high priority recommendations and agree removal of completed actions.

# Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.3 High Priority Recommendations
  - 2.4 Proposed Amendments to Audit Plan
  - 2.5 Performance Management

## Appendices

- A Progress against the 2016/17 Audit Plan
  
- B Implementation Status of High Priority Recommendations
  
- C Audit Plan Items (April 2016 to March 2017) – Start Dates Agreed with Management

# 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 2016/17 as at 2 September 2016.
  - b) Proposed amendments to the approved 2016/17 Audit Plan.
  - c) Implementation status of previously agreed high priority audit recommendations.
  - d) An update on performance management information as at 2 September 2016.

## Background

- 1.2 The 2016/17 Audit Plan was approved by Audit Committee on 16 March 2016.
- 1.3 The Audit and Governance Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to Audit Committee on 15 June 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 2 September 2016, 30% of the 2016/17 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

2.2 Two projects from the 2015/16 Audit Plan have been finalised since the June 2016 meeting of the Audit & Governance Committee. This marks closure of the 2015/16 Audit Plan.

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Section 106 Agreements	Jun '16	Substantial	One medium Two merits attention
Leisure Contract	Jun '16	Moderate	Six medium One merits attention

The following 2016/17 projects have been finalised:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Freedom of Information	Jul '16	Substantial	Three merits attention
Cash and Banking	Aug '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.

2.4 The current position in respect of existing outstanding high priority recommendations is shown at Appendix B.

#### Proposed Audit Plan Amendments

2.5 There are no plan changes to bring before this meeting of the Audit & Governance Committee.

#### Performance Management

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

2.7 As at 2 September 2016 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 2 September 2016</b>	<b>Actual to 2 September 2016</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	33%	30%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	23% (7 of 30 projects to draft)	20% (6 of 30 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%	None yet made in 2016/17

2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2016/17 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 and Governance 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 and Governance Committee's first meeting of the civic year.

## APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 2 SEPTEMBER 2016

### 2016/17 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					12	Yes	0	Due to start Q3
Benefits					12	Yes	0	Due to start Q3
Council Tax					10	Yes	0	Due to start Q3
Creditors (CRSA Year 1)					10	Yes	0	Due to start Q4
Debtors (CRSA Year 1)					10	Yes	0	Due to start Q3
Main Accounting					12	Yes	0	Due to start Q3
NDR					10	Yes	0	Due to start Q3
Payroll					12	Yes	0	Due to start Q3
Payroll Certificate					1	Yes	1	Complete
Treasury (CRSA Year 2)					6	Yes	0	Due to start Q3
<b>Operational Audits</b>								
Absence Management					10	Yes	1	In planning
BACS					6	Yes	5.5	Draft report issued
Car Parks – New pay & display machines					10	Yes	0	Due to start Q3
Cash and Banking	Full	0	0	0	12	Yes	12	Final report issued
Consultants					10	Yes	6	In fieldwork
Development Management –					6	Yes	1	In planning - audit

**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 2 SEPTEMBER 2016**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
pre applications							deferred to Q4	
Digital by Default					18	Yes	0	Due to start Q3
Elections					10	Yes	0	Due to start Q3
Enviro Crime					15	Yes	2	In fieldwork
Freedom of Information	Substantial	0	0	3	10	Yes	10	Final report issued
Health & Safety					12	Yes	2	In planning – audit deferred to Q3
Land Charges					8	Yes	0	Due to start Q4
Project Management / Benefits Realisation					12	Yes	11.5	Draft report issued
Safeguarding					15	Yes	0.5	In planning
Tree Surveying					12	Yes	0	Due to start September 2016
<b>Procurement</b>								
New Payroll Contract – controls assurance					5	No	0.5	In planning
Trade / Clinical Waste					12	Yes	10.5	In fieldwork
Land Drainage Contract					8	No	1	In planning
<b>IT Audits</b>								
Internet and Email Usage					8	No	0.5	Due to start Q4



**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 2 SEPTEMBER 2016**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Cyber Risk					8	Yes	7.5	Draft report issued
<b>Shared Learning</b>								
Shared Learning Newsletters and Summary Themed Reports					2	N/A	1	Ongoing
Audit Committee Workshop					1	N/A	0	Due Q4
Joint Review – Benchmarking Workshop (topic tbd)					2	N/A	0	Due Q4
Joint Review - Community Infrastructure Levy					2	N/A	0	Due Q4
Joint Reviews – tbd					10	N/A	0	Due Q4
<b>Risk Management</b>								
No audits					0	N/A	0	
<b>Anti-Fraud</b>								
Follow up fraud related themes					5		0	
<b>Strategic Support</b>								
2017/18 Audit Planning					10	N/A	0	
Audit Committee					15	N/A	7	Ongoing
Client Liaison					10	N/A	5	Ongoing
Liaison with External Audit					1	N/A	0.5	Ongoing

**APPENDIX A PROGRESS AGAINST THE 2016/17 AUDIT PLAN AS AT 2 SEPTEMBER 2016**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Head of Internal Audit Opinion 2015/16					5	N/A	5	Complete
Progress Monitoring					10	N/A	5	Ongoing
SIAS Development					5	N/A	5	Ongoing
<b>Contingency</b>								
Unused Contingency					0	N/A	0	
<b>Follow Ups</b>								
Follow up of high priority recommendations					5	N/A	2.5	Ongoing
<b>2015/16 Projects requiring completion</b>								
Various					15	N/A	15	Complete
<b>EHC TOTAL</b>					<b>400</b>		<b>118.5</b>	

## 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 (August 2016)
1.	Business Continuity Planning (01/10/13)	<p>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.</p> <p>In addition to this, a periodic rolling programme of disaster recovery testing (at minimum requiring some</p>	<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.</p> <p>Information captured by services in their Business Recovery Plans will be reviewed in</p>	Director of Neighbourhood Services	30 June 2014	<p><u>Sep 15</u> Critical service questionnaires returned and plan updated.</p> <p><u>Dec 15</u> See note at recommendation 1.</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</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 (August 2016)
		downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the BCPs.	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.			<p>completion this financial year. Test is planned for March / April 2016</p> <p><u>May 16</u> Critical services have completed resource requirement questionnaires and the plan has been updated. There are some suspected weaknesses in the plan that will be brought out through running a test scenario. HCC Resilience Team will organise once</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 (August 2016)
						<p>all new EHC senior managers are in place.</p> <p>Revised to 30 September 2016.</p> <p><u>Aug 16</u> Critical services will be required to recomplete questionnaires and prepare their plans to reflect the restructure.</p> <p>Revised to 31 December 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 (August 2016)
2.	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 agree on comprehensive roles and responsibilities with</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> <p><u>Mar 16</u> Statement of intent from Directors is included in the</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 (August 2016)
		<p>regard to business continuity planning, and these responsibilities should be documented within the plan.</p>				<p>plan. Director of Finance &amp; Support Services has instructed project completion this financial year. Gold command updated to reflect staffing changes.</p> <p><u>May 16</u> Statement of intent from Directors is included in the plan. Risk Assurance Officer has produced an initial Business Continuity framework that can be adjusted as and</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 (August 2016)
						<p>when needed. Finalisation and sign off will follow on from the test.</p> <p>Revised to 30 September 2016.</p> <p><u>Aug 16</u> As above, sign-off and finalisation will follow on from test which has been postponed from 22 September to 31 October 2016.</p> <p>Revised to 31 October 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 (August 2016)
3.	Street Markets (24/05/16)	The Head of Business Development should approach the Chief Executive (BSTC) with a view to formally identifying all existing issues with the current arrangements that both parties feel are unsatisfactory. Following this, they should seek to identify how these may be addressed, through either: revisions to existing processes / governance	It is acknowledged by both EHC and BSTC that the contract is not straightforward in places and often leads to different interpretations.  This will be picked up as part of the first annual review of the contract. Discussions are already underway with BSTC.	Benjamin Wood / Contract Manager (TBC)	1 June 2016	We concluded negotiations with BS Town Council regarding a variation to the contract for operating the market. EHC objectives within this process have been to reduce the direct and indirect contract costs whilst BSTC objectives have been to increase contractor autonomy over day to day operational matters. We have managed to adopt	Implemented – remove from list

## 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 (August 2016)
		<p>arrangements; or a more formal review of the contractual arrangements.</p> <p>In the case of the latter, further advice should be sought from the EHC legal team to identify the most appropriate approach to revising the contract. In the unlikely event that a satisfactory resolution to the existing issues cannot be achieved, both parties should</p>				<p>the following principles which allow both parties to realise their objectives and which should provide a stronger platform for making the BS market a success:</p> <p>1. Contractor to take on more risk and corresponding reward; financial model to change so that BSTC retains 100% of the income (with a corresponding reduction in</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 (August 2016)
		consider the viability of continuing the existing contractual relationship.				<p>contributions from EHC).</p> <p>2. A reduced set of KPIs and light-touch monitoring.</p> <p>3. Autonomy over waste management and street cleansing (and other sub-contracting elements) once EHC is released from its contractual commitments to their waste/cleaning subcontractor.</p> <p>4. Less scrutiny of day to day matters and operational aspects of running</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 (August 2016)
						the market. 5. Reducing the administrative overhead experienced by both parties.	

## APPENDIX C AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Certificate <b>Complete</b>	Trade / Clinical Waste  <b>In fieldwork</b>	Project Management / Benefits Realisation  <b>Draft report issued</b>	Consultants  <b>In fieldwork</b>	Enviro Crime  <b>In fieldwork</b>	Tree Surveying	Council Tax	Treasury Mgmt	Debtors	Creditors	Land Charges	
BACS  <b>Draft report issued</b>		Cash and Banking  <b>Final report issued</b>		Elections  <b>In planning</b>	Car Parks – New pay & display machines	Benefits	Payroll	Asset Mgmt	Internet & Email Usage		
FOI  <b>Final report issued</b>		Cyber Risk  <b>Draft report issued</b>			Land Drainage Contract  <b>In planning</b>	NDR	Digital by Default	Main Accounting	Development Management (Pre-apps)**  <b>In planning</b>		
						Absence Management  <b>In planning</b>	Payroll System – controls assurance**  <b>In planning</b>				

## APPENDIX C AUDIT PLAN ITEMS (APRIL 2016 TO MARCH 2017) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
						Health & Safety** In planning					
						Safeguarding**					

### **\*\*Notes**

- Health & Safety audit deferred from May to October at Management's request in view of the absence of the main contact officer.
- Safeguarding audit deferred from July to October at Management's request in view of the revised management arrangements.
- Payroll System controls assurance deferred from August to November to reflect revised project timelines.
- Development Management (pre-applications) audit deferred from September to January as revised process / charging structure not yet introduced.