SIAS

Shared Internal Audit Service

Hertfordshire in Partnership

East Herts Council

Performance, Audit and Governance
Scrutiny Committee
13 March 2018

SIAS 2017/18 Audit Plan Progress Report

Recommendation

Members are recommended to:
- Note the Internal Audit Progress Report,
- Approve amendments to the Audit Plan as at 23 February 2018, 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 2017/18 as at 23 February 2018.
   b) An update on performance management information as at 23 February 2018.

<u>Background</u>

1.2 The 2017/18 Audit Plan was approved by the Audit and Governance Committee on 22 March 2017.

1.3 The Performance, Audit and Governance Scrutiny Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to the Committee on 16 January 2018.

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 23 February 2018, 88% of the 2017/18 Audit Plan days had been delivered (calculation excludes unused contingency). Appendix A provides a status update on each individual project within the audit plan.

2.2 The following ten 2017/18 projects have been finalised since the September meeting:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Council Tax	Jan '18	Substantial	One merits attention
Business Continuity Planning	Jan '18	Substantial	Two merits attention
Creditors	Jan '18	Substantial	One medium Two merits attention
Debtors	Jan '18	Substantial	One medium

			One merits attention
General Ledger	Jan '18	Full	None
IT Disaster Recovery (Post-Incident)	Jan '18	Limited	Four high One medium
IT Procurement	Jan '18	Moderate	Two medium One merits attention
Benefits	Feb '18	Substantial	One merits attention
Old River Lane	Feb '18	Substantial	None
Payroll	Feb '18	Substantial	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   The following changes to the 2017/18 Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:

Deleted Audit
- Mobile Device Management (MDM)
  Audit cancelled to provide specialist resource to deliver a GDPR Preparedness review in Q4. The MDM audit will be included in the draft 2018/19 Audit Plan.

New Audit
- GDPR Preparedness
  Audit added to support the Council's move towards compliance with the new GDPR regulations effective May 2018.

Performance Management

2.6   Annual performance indicators and associated targets were approved by the SIAS Board in March 2017 and are reviewed annually.

2.7   As at 23 February 2018, 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 23 February 2018	Actual to 23 February 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	85%	88%
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	69% (24 of 35 projects to draft)	74% (26 of 35 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%	100%

2.8   In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2017/18 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 Performance, Audit and Governance Scrutiny Committee's first meeting of the civic year.

APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 23 FEBRUARY 2018

2017/18 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					10	Yes	9.5	Draft report issued
Council Tax	Substantial	0	0	1	10	Yes	10	Final report issued
Creditors	Substantial	0	1	2	7	Yes	7	Final report issued
Debtors	Substantial	0	1	1	8	Yes	8	Final report issued
General Ledger	Full	0	0	0	6	Yes	6	Final report issued
Housing Benefits & Rent Allowances	Substantial	0	0	1	10	Yes	10	Final report issued
NDR	Full	0	0	0	10	Yes	10	Final report issued
Payroll	Substantial	0	0	0	14	Yes	14	Final report issued
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury	Full	0	0	0	5	Yes	5	Final report issued
Operational Audits								
Development Management (pre-application process					6	Yes	3	In fieldwork
Section 106 Agreements (application of revised charging)					8	Yes	4	In fieldwork
Old River Lane Development	Substantial	0	0	0	14	Yes	14	Final report issued
Accommodation Project (challenge assumptions)					0		0	Cancelled
Business Continuity Planning	Substantial	0	0	2	10	Yes	10	Final report issued
Communications					10	Yes	9.5	Draft report issued
Customer Service - 3 Cs	Substantial	0	2	0	12	Yes	12	Final report issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Hertford Theatre – income	Substantial	0	2	0	10	Yes	10	Final report issued
Play Safety Inspections					10	Yes	2	In planning
Digital East Herts	Substantial	0	1	3	12	Yes	12	Final report issued
Off-Payroll Payments	Substantial	0	3	0	5	Yes	5	Final report issued
Licensing - processing of applications and issue of licences	Substantial	0	1	1	15	Yes	15	Final report issued
Taxi Licensing Enforcement	Full	0	0	0	8	Yes	8	Final report issued
Food Safety Inspections					10	Yes	9.5	Draft report issued
New Payroll System – rollout of self-service					8	Yes	1	In fieldwork
DFG Capital Grant Certification	N/A	-	-	-	2	Yes	2	Complete
Petty Cash & Procurement Cards					8	Yes	7.5	Draft report issued
Elections					5.5	Yes	1	Terms of reference issued - due to start March
GDPR Preparedness					6	BDO	5	Draft report issued
Procurement								
Local Authority Serious and Organised Crime Checklist					10	Yes	9.5	Draft report issued
Procurement					15	Yes	14	Draft report issued
IT Audits								
Mobile Device Management					0.5		0.5	Cancelled
IT Procurement	Moderate	0	2	1	6	BDO	6	Final report issued
IT Shared Service Agreement					6	BDO	3	In fieldwork

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		H	M	MA				
IT Disaster Recovery (Post-Incident)	Limited	4	1	0	6	BDO	6	Final report issued
Cyber Security					6	BDO	4	In fieldwork
Shared Learning								
Shared Learning Newsletters and Summary Themed Reports					5	N/A	4.5	Ongoing
Joint Reviews – topics to be determined by the SIAS Board					0		0	Cancelled
Shared Learning from Local Authority Serious and Organised Crime Review					2		1	Ongoing
Risk Management								
Risk Management					0		0	Cancelled
Anti-Fraud								
Anti-Fraud – Controls Review					5	No	4	As required
Strategic Support								
2018/19 Audit Planning					10	N/A	10	Complete
Audit Committee					12	N/A	11	Ongoing
Client Liaison					10	N/A	9	Ongoing
Liaison with External Audit					1	N/A	1	Complete
Head of Internal Audit Opinion 2016/17					5	N/A	5	Complete
Plan Delivery Monitoring					10	N/A	9	Ongoing
SIAS Development					5	N/A	5	Complete

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Contingency								
Unused Contingency					32.5	N/A		
Follow Ups								
Follow up of high priority recommendations					3	N/A	.	Complete
2016/17 Projects requiring completion								
Various					8.5	N/A	8.5	Complete
Joint Review – PREVENT	N/A	-	-	-	0.5	BDO	0.5	Final report issued
Joint Review – Local Authority Trading					0.5	BDO	0	In fieldwork
EHC TOTAL					**400**		**322.5**	

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 (February 2018)
1.	Tree Surveying (May 2017)	It is recommended that the service is let in accordance with the Council's contract standing orders for future years.	To retender the tree risk inspection contract and to design and procure a new schedule of works based maintenance contract.	Parks and Open Spaces Manager	31 March 2018	December 2017 The specification is drafted for the inspection contract and just needs some final modifications to ensure it will provide the necessary platform for the maintenance works. We should be able to get that out for tender this month and therefore in time to have the contract renewed and running by March 31st 2018. February 2018 No update provided.	Not 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 (February 2018)
2.	IT Disaster Recovery (Post-Incident) (January 2018)	Management should put in place a defined procedure for establishing a single data centre in the event of a loss of synchronisation between the two data centres. These procedures should be incorporated within the IT disaster recovery planning (see Finding 2). Furthermore, additional connectivity should be added to the IT network so that the single point of failure for Stevenage Borough Council is addressed.	Agreed. A technical procedure for establishing all IT services at a single data centre has been drafted. This will be further refined following testing and use. Additional connectivity options are being considered and will be implemented as part of the outcomes from the IT Disaster Recovery review in January 2018.	Interim Senior IT Manager	Complete 31 August 2018	<u>February 2018</u> The technical procedure is in place and we continue to work towards establishing a single data centre and this is part of the Disaster Recovery Planning currently being undertaken. <u>February 2018</u> This will be developed following the establishment of the Disaster Recovery Plan	Implemented – remove from list. Not 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 (February 2018)
3.	IT Disaster Recovery (Post-Incident) (January 2018)	Working with stakeholders from both Councils, Senior Management must define the recovery time and point objectives for critical IT systems and determine the order by which they should be recovered by the Service. Where the Service is unable to achieve these objectives, the relevant IT system owner must identify alternative recovery solutions. The Service should put in place a defined IT disaster recovery plan, which is aligned to the Councils' continuity	Agreed. A review of IT Disaster Recovery arrangements will be undertaken, which will re-establish the councils' business requirements and identify the technical solutions needed.	Interim Senior IT Manager	31 March 2018	<u>February 2018</u> BDO have been commissioned to provide expertise and support to the review of Disaster Recovery Planning. This will be further supported by the expected team restructure once the new lead post has been recruited to. In the meantime, the IT team continue to progress this work, supported by experts from outside of the organisations.	Not 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 (February 2018)
		planning.					
4.	IT Disaster Recovery (Post-Incident) (January 2018)	Appropriate environmental controls should be installed at both data centres so that they can continue to operate in the event of a disaster. This should include: • Appropriate UPS deployed at both data centres • Appropriate power sources to support the continued operation of air conditioning at the Daneshill site. Management should define the processing capacity threshold at which it is no longer possible for a data	Agreed. Increased power resilience will be implemented with larger capacity UPS deployed at both data centres, plus a generator will be installed to support the continued operation of the Daneshill data centre in the event of power disruption. Capacity requirements will be considered as part of identifying the technical	Interim Senior IT Manager	31 May 2018	February 2018 The first meeting with the supplier is due to take place in early March and installation is expected by the original target date. This will increase our ability to operate Business As Usual and enable more effective Disaster Recovery	Not implemented – continue to monitor
					31 March 2018	February 2018 Additional hardware is being purchased to enable greater capacity. This initial	Not 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 (February 2018)
		centre to operate as the single data centre. This should be monitored and, where exceeded, appropriate action should be taken.	solution within the planned review of IT Disaster Recovery Plans. More formal improved capacity management processes will be introduced as part of the IT Service's adoption of ITIL.		31 December 2018	mitigation will be in place by April 2018. This will enable the reprovisioning of a greater number of remote desktops across both councils should a data centre be lost. IT staff have undergone initial ITIL training and the learning has started to be transferred to the workplace. Further training will continue on an on-going basis.	
5.	IT Disaster Recovery (Post-Incident) (January 2018)	Management should assess the risk of the data centres becoming unavailable and, where necessary, revise the risk treatment plans.	Agreed. The risk appetites of the councils will be considered and addressed as part of the	Interim Senior IT Manager	31 March 2018	February 2018 See item 3 above. This will be considered as part of the first phase of the review of Disaster Recovery Planning being	Not 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 (February 2018)
		Senior management at both Councils, supported by the Service, should perform a business impact assessment with regards to the loss of IT and define their respective risk appetites so that appropriate actions are taken by the Service.	planned review of IT Disaster Recovery Plans.			supported by BDO.	

APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate **Complete**	Petty Cash & Procurement Cards **Draft report issued**	Off-Payroll Payments **Final report issued**	Business Continuity Planning **Final report issued**	Digital East Herts **Final report issued**	DFG Capital Grant Sign-Off **Complete**	Council Tax **Final report issued**	Treasury Mgmt **Final report issued**	Debtors **Final report issued**	Creditors **Final report issued**	Comms **Draft report issued**	Elections **Terms of reference issued**
Licensing **Final report issued**	Taxi Licensing Enforcement **Final report issued**	Procurement **Draft report issued**	Hertford Theatre – income **Final report issued**	IT Incident Mgmt **Final report issued**	IT Procurement * **Final report issued**	Housing Benefits **Final report issued**	NDR **Final report issued**	Asset Mgmt **Draft report issued**	Development Management (pre-applications) * **In fieldwork**	Play Safety Inspections **In fieldwork**	GDPR **In fieldwork**
3 C's **Final report issued**				Serious & Organised Crime **Draft report issued**		Old River Lane **Final report issued**		General Ledger **Final report issued**	Section 106* **In fieldwork**	IT Shared Service Agreement * **In fieldwork**	
								Food Safety **Draft report issued**		Anti-Fraud Controls **In progress**	

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								Payroll **Final report issued**		Cyber Security* **In fieldwork**	
										New Payroll System – self-service* **In planning**	

*Notes

The following IT audits have been moved to align with client and BDO resource availability:

- **IT Procurement** - July to September
- **Cyber Security** - July to February
- **IT Shared Service Agreement** - September to February

The following audits have been moved as the revised processes have not yet been fully implemented:

- **Development Management (pre-applications)** - October to January
- **New payroll system (self-service)** - November to February

The following audit has been moved to allow time for a restructure of the service to be completed:

- **Section 106** - August to January