



East Herts Council

Performance, Audit and Governance Scrutiny Committee 24 July 2018

Shared Internal Audit Service – Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve amendments to the Audit Plan as at 6 July 2018
- c) Note the status of high priority recommendations
- d) Note the revised assurance definitions / priority levels

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1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2018/19 Internal Audit Plan as at 6 July 2018.
 - b) The findings for the period 1 April 2018 to 6 July 2018.
 - c) The proposed amendments required to the approved 2018/19 Internal Audit Plan.
 - d) The implementation status of previously agreed Internal Audit recommendations.
 - e) An update on performance management information as at 6 July 2018.
 - f) Details of revised assurance definitions/priority levels.

Background

- 1.2 The 2018/19 Internal Audit Plan was approved by the Performance, Audit and Governance Scrutiny Committee on 13 March 2018. The Performance, Audit and Governance Scrutiny Committee receive periodic updates of progress with delivering the Internal Audit Plan.
- 1.3 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 Internal Audit Plan.

2. Internal Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As at 6 July 2018, 28% of the 2018/19 Internal Audit Plan days had been delivered (calculation excludes contingency days that have not yet been allocated). Appendix A provides a status update on each individual project within the 2018/19 Internal Audit Plan. Details of agreed start dates for the individual projects are also shown in Appendix C.
- 2.2 As at 6 July 2018 the following 2018/19 projects have been finalised:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Payroll Pension Certificate	April 2018	N/A	N/A

2.3 The following 2017/18 projects have also been finalised in the period since the last Performance, Audit and Governance Scrutiny Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Asset Management	March 2018	Moderate	Seven medium Four merits attention
Communications	March 2018	Substantial	One medium Three merits attention
Elections	April 2018	Full	None
Section 106	April 2018	Substantial	One medium Three merits attention
Serious Organised Crime Checklist	April 2018	Not Assessed	None
Development Mgmt. (pre-apps)	May 2018	Substantial	One merits attention
IT Shared Services Agreement	May 2018	Not Assessed	Two medium One merits attention
Petty Cash and Procurement Cards	May 2018	Substantial	One medium
Play Safety Inspections	June 2018	Substantial	Four merits attention
Procurement	June 2018	Not Assessed	Five medium Three merits attention
GDPR Preparedness	June 2018	Moderate	Four medium
Food Safety Inspections	July 2018	Moderate	Six medium

2.4 Draft Internal Audit reports have also been issued for the following 2017/18 projects. A management response for each project is awaited:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Cyber Security	March 2018	Limited	Two high Four medium Three merits attention
New Payroll System –	June 2018	Not Assessed	None

Roll Out of Self Service			
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High Priority Recommendations

- 2.5 A final Internal 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.
- 2.6 The current position in respect of existing outstanding high priority recommendations is shown at Appendix B.

Proposed Internal Audit Plan Amendments

- 2.7 The following changes to the 2017/18 Internal Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:
- a) Land Charges - audit cancelled and days returned to contingency.
 - b) CCTV - joint internal audit resourced from contingency.

Performance Management

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2018 and are reviewed annually.
- 2.9 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 6 July 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	26% (90 / 345 days)	28% (97.5 / 345 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	20% (6 / 31 projects to draft)	17% (5 / 31 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	N/A (none issued)

4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A (none made)
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Revised Assurance Definitions / Priority Levels

- 2.10 The existing assurance definitions have been replaced with four new assurance levels and definitions to accompany them (see Appendix D). With respect to the finding priority levels, we have added an additional priority level (Critical) to reflect findings that have an impact at a corporate or strategic level, rather than just at a service or directorate level. These changes will be reflected in all 2018/19 internal audits.
- 2.11 The changes have been made following extensive research of other public and private sector assurance definitions / finding priorities and general internal audit good practice. It was also a response to client feedback.

APPENDIX A: PROGRESS AGAINST THE 2018/19 INTERNAL 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 – 77 days								
Asset Management					10	Yes	0	Allocated
Council Tax					6	Yes	0	Allocated
Creditors					10	Yes	0	Allocated
Debtors					10	Yes	0	Allocated
General Ledger					10	Yes	0	Allocated
Housing Benefits & Rent Allowances					6	Yes	0	Allocated
NDR					6	Yes	0	Allocated
Payroll					12	Yes	0	Allocated
Payroll Certificate	N/A	0	0	0	1	Yes	1	Complete
Treasury Management					6	Yes	0	Allocated
Operational Audits – 124 days								
Development Management					12	Yes	0	Allocated
S106 Agreements (spend arrangements)					10	Yes	0	Allocated
Business Grants Scheme					8	Yes	7.5	Draft Report Issued
Performance Mgmt. / Data Quality					10	Yes	8.5	In Fieldwork
Land Charges					1	N/A	1	Cancelled
Freedom of Information					8	Yes	7.5	Draft Report Issued
GDPR – PIR					10	Yes	0	Allocated
Homelessness Reduction Act / Temporary Accommodation					12	Yes	0	Allocated
Houses in Multiple Occupation (HMOs)					10	Yes	0	Allocated
Herts Home Improvement Agency					2	Yes	0	Allocated
Digital East Herts					12	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				
Agency Staffing					12	Yes	7.5	In Fieldwork
Commercialisation / Income Generation					12	Yes	0	Allocated
DFG Capital Grant Certification					1	Yes	0	Allocated
CCTV					2	Yes	2	Draft Report Issued
Garden Town - Project Assurance					2	Yes	1.5	In progress
Procurement – 29 days								
Waste Contract – client services, trade waste					15	Yes	0	Allocated
Compliance Monitoring Contract					2	Yes	0	Allocated
Contract Management					12	Yes	10.5	In Fieldwork
IT Audits – 30 days								
Cyber Security					6	Yes	0	Allocated
Incident Management					6	Yes	0	Allocated
Mobile Device Management and BYOD					6	Yes	5.5	Draft Report Issued
TSS Improvement Plan - Governance					12	Yes	6	In Fieldwork
Shared Learning – 8 days								
Shared Learning Newsletters / Summary Themed Reports / Joint Reviews					8	N/A	1	In Progress
Risk Management – 0 days								
No audits								
Anti-Fraud – 3 days								
Anti-Fraud – Controls Review					3	N/A	0	Through Year
Strategic Support – 51 days								
2019/20 Audit Planning					10	N/A	0	Through Year

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Audit Committee					12	N/A	4	Through Year
Client Meetings					10	N/A	2.5	Through Year
Liaison with External Audit					1	N/A	0	Through Year
Head of Internal Audit Opinion 2017/18					4	N/A	4	Complete
Plan Monitoring					9	N/A	2.5	Through Year
SIAS Development					5	N/A	5	Through Year
Contingency – 15 days								
Contingency					15	N/A	0	Not yet allocated
Follow Ups – 3 days								
Follow up of high priority recommendations					3	N/A	0.5	Through Year
2017/18 Projects requiring completion – 20 days								
Various					20	Yes	19	Complete
EHC TOTAL					360		97.5	

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 (July 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	<p><u>December 2017</u> 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.</p> <p><u>February 2018</u> No update provided.</p> <p><u>July 2018</u> No update provided.</p>	Not implemented – continue to monitor
2.	IT Disaster Recovery (Post-Incident) (January 2018)	Additional connectivity should be added to the IT network so that the single point of failure for Stevenage Borough Council is addressed.	Agreed. Additional connectivity options are being considered and	Interim Senior IT Manager	31 August 2018	<p><u>February 2018</u> This will be developed following the establishment of the Disaster Recovery Plan.</p>	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
			will be implemented as part of the outcomes from the IT Disaster Recovery review in January 2018.			<u>July 2018</u> Options are being costed and will be presented to the IT Partnership. The generator has been installed at Daneshill House to improve resilience.	
3.	IT Disaster Recovery (Post-Incident) (January 2018)	<p>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.</p> <p>Where the Service is unable to achieve these objectives, the relevant IT system owner must identify alternative recovery solutions.</p>	<p>Agreed.</p> <p>A review of IT Disaster Recovery arrangements will be undertaken, which will re-establish the councils' business requirements and identify the technical solutions needed.</p>	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.	Partially implemented – continue to monitor





No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
		<p>The Service should put in place a defined IT disaster recovery plan, which is aligned to the Councils' continuity planning.</p>				<p><u>July 2018</u> The lead IT recruitment was unsuccessful in Round 1 but an offer has been made to a candidate in Round 2. It is expected that the new lead will be in post by September. In the meantime, the IT service is being supported by a SOCITM interim.</p>	
4.	IT Disaster Recovery (Post-Incident) (January 2018)	<p>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:</p> <ul style="list-style-type: none"> • Appropriate UPS deployed at both data centres • Appropriate power sources to support the continued operation of air conditioning at the 	<p>Agreed.</p> <p>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</p>	Interim Senior IT Manager	31 May 2018	<p><u>February 2018</u> 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.</p> <p><u>July 2018</u> UPS and generator installed at Daneshill House.</p>	Implemented

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
		<p>Daneshill site.</p> <p>Management should define the processing capacity threshold at which it is no longer possible for a data centre to operate as the single data centre.</p> <p>This should be monitored and, where exceeded, appropriate action should be taken.</p>	<p>disruption.</p> <p>Capacity requirements will be considered as part of identifying the technical solution within the planned review of IT Disaster Recovery Plans.</p> <p>More formal improved capacity management processes will be introduced as part of the IT Service's adoption of ITIL.</p>		<p>31 March 2018</p> <p>31 December 2018</p>	<p><u>February 2018</u> Additional hardware is being purchased to enable greater capacity. This initial mitigation will be in place by April 2018. This will enable the re-provisioning 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.</p> <p><u>July 2018</u> Through the SOCITM interim, ITIL principles are being implemented.</p>	<p>Partially implemented – continue to monitor</p>

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
5.	IT Disaster Recovery (Post-Incident) (January 2018)	<p>Management should assess the risk of the data centres becoming unavailable and, where necessary, revise the risk treatment plans.</p> <p>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.</p>	<p>Agreed.</p> <p>The risk appetites of the councils will be considered and addressed as part of the planned review of IT Disaster Recovery Plans.</p>	Interim Senior IT Manager	31 March 2018	<p><u>February 2018</u> See item 3 above. This will be considered as part of the first phase of the review of Disaster Recovery Planning being supported by BDO.</p> <p><u>July 2018</u> Currently being costed prior to presentation at Partnership Board.</p>	Partially implemented – continue to monitor

APPENDIX D: REVISED ASSURANCE DEFINITIONS/PRIORITY LEVELS

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.