



East Herts Council

Performance, Audit and Governance
Scrutiny Committee
4 September 2018

Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Status of Critical and High Priority Recommendations

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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 17 August 2018.
 - b) The findings for the period to 17 August 2018.
 - c) The implementation status of previously agreed Internal Audit recommendations.
 - d) An update on performance management information as at 17 August 2018.

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 17 August 2018, 36% of the 2018/19 Internal Audit Plan days had been delivered (calculation excludes contingency days that have not yet been allocated).
- 2.2 As at 17 August 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
Freedom of Information	July 2018	Satisfactory	Three Medium, One Low/Advisory
Business Grants	Aug 2018	Limited	Four Medium, One Low/Advisory
Performance Mgmt. /	Aug 2018	Satisfactory	One Medium, One

Data Quality			Low/Advisory
CCTV (joint internal audit)	Aug 2018	Limited	Nine High

2.3 The table below also summarises the position with regard to 2018/19 projects as at 17 August 2018. 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.

Status	No of Audits at this Stage	% of Total Audits
Final Report	5	16%
Draft Report	2	6%
In Fieldwork	4	12%
In Planning/ToR Issued	3	10%
Allocated	17	53%
Cancelled	1	3%

Total	32	100%
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2.4 The following 2017/18 project has been finalised in the period since the last Performance, Audit and Governance Scrutiny Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
New Payroll System – Rollout of Self Service	Aug 2018	N/A	N/A

2.5 The following 2017/18 draft report has also been issued and awaits a management response:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Cyber Security	Mar 2018	Limited	Three High Two Medium Three Merits Attention

Critical and High Priority Recommendations

2.6 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 critical and high priority

recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

- 2.7 The current position in respect of existing outstanding critical and high priority recommendations is shown at Appendix B.

Proposed Internal Audit Plan Amendments

- 2.8 The following changes to the 2017/18 Internal Audit Plan were approved at the last meeting of this Committee.

- a) Land Charges - audit cancelled and days returned to contingency.
- b) CCTV - joint internal audit resourced from contingency.

No further changes have been proposed since the last meeting of this Committee.

Performance Management

- 2.9 Annual performance indicators and associated targets were approved by the SIAS Board in March 2018 and are reviewed annually.
- 2.10 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 17 August 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	32% (112 / 345 days)	36% (124.5 / 345 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	26% (8 / 31 projects to draft)	23% (7 / 31 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (4 returned to date)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (9 High priority agreed)

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	LA				
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	NA	0	0	0	1	Yes	1	Complete
Treasury Management					6	Yes	0	Allocated
Operational Audits – 124 days								
Development Management					12	Yes	5	In Fieldwork
S106 Agreements (spend arrangements)					10	Yes	0.5	In Planning
Business Grants Scheme	Limited	0	4	1	8	Yes	8	Final Report Issued
Performance Mgmt. / Data Quality	Satisfactory	0	1	1	10	Yes	10	Final Report Issued
Land Charges					1	N/A	1	Cancelled
Freedom of Information	Satisfactory	0	3	1	8	Yes	8	Final Report Issued
GDPR – PIR					10	Yes	2.5	In Planning
Homelessness Reduction Act / Temporary Accommodation					12	Yes	0	Allocated
Houses in Multiple Occupation (HMOs)					10	Yes	3	In Fieldwork
Herts Home Improvement Agency					2	Yes	0	Allocated
Digital East Herts					12	Yes	2.5	In Planning

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	LA				
Agency Staffing					12	Yes	7.5	In Fieldwork
Commercialisation / Income Generation					12	Yes	0	Allocated
DFG Capital Grant Certification					1	Yes	0	Allocated
CCTV – joint internal audit	Limited	9	0	0	2	Yes	2	Final 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	12	Draft Report Issued
IT Audits – 30 days								
Cyber Security					6	Yes	0	Allocated
Incident Management					6	Yes	0	Allocated
Mobile Device Management and BYOD					6	Yes	6	Draft Report Issued
TSS Improvement Plan - Governance					12	Yes	9	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	LA				
Audit Committee					12	N/A	6.5	Through Year
Client Meetings					10	N/A	3	Through Year
Liaison with External Audit					1	N/A	0.5	Through Year
Head of Internal Audit Opinion 2017/18					4	N/A	4	Complete
Plan Monitoring					9	N/A	4	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 priority recommendations					3	N/A	1	Through Year
2017/18 Projects requiring completion – 20 days								
Various					20	Yes	20	Complete
EHC TOTAL					360		124.5	

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 (August 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 Revised to: 31 March 2019	<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> <p><u>August 2018</u> Members approved a report in July 2018 that confirmed tree works would be included in the Grounds Contact.</p>	Not implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (August 2018)
						Officers are now working with a procurement consultant to write a specification and Information to Tenderers.	
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 will be implemented as part of the outcomes from the IT Disaster Recovery review in January 2018.	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> <p><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.</p> <p><u>August 2018</u> Next update will be October 2018.</p>	Partially implemented – continue to monitor
3.	IT Disaster Recovery	Working with stakeholders from both	Agreed.	Interim Senior IT	31 March 2018	<u>February 2018</u> BDO have been	Partially implemented –

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (August 2018)
	(Post-Incident) (January 2018)	<p>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>The Service should put in place a defined IT disaster recovery plan, which is aligned to the Councils' continuity planning.</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>	Manager		<p>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.</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>	continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (August 2018)
						<p><u>August 2018</u> Next update will be October 2018.</p>	
4.	IT Disaster Recovery (Post-Incident) (January 2018)	<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>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>	Interim Senior IT Manager	<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.</p> <p>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</p>	Partially implemented – continue to monitor





No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (August 2018)
						<p>are being implemented.</p> <p><u>August 2018</u> Next update will be October 2018.</p>	
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> <p><u>August 2018</u> Next update will be October 2018.</p>	Partially implemented – continue to monitor

APPENDIX C: INTERNAL AUDIT PLAN ITEMS – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate (Complete)	Business Grants Scheme (Final Report Issued)	Freedom of Information (Final Report Issued)	GDPR – PIR (In Planning)	S106 (In Planning)	DFG Capital Grant Sign-Off (Allocated)	Council Tax (Allocated)	NDR (Allocated)	Debtors (Allocated)	Creditors (Allocated)	HRA & Temporary Accom. (Allocated)	
	Contract Mgmt. (Draft Report Issued)	Agency Staffing (In Fieldwork)	Land Charges (Cancelled)	HMOs (In Fieldwork)	Development Mgmt. (In Fieldwork)	Housing Benefits (Allocated)	Payroll (Allocated)	Asset Mgmt. (Allocated)	Waste Contract (Allocated)	TSS Improvement Plan – Cyber Security (Allocated)	
	Mobile Device Mgmt. and Bring Your Own Device (Draft Report Issued)	Performance Mgmt. / Data Quality (Final Report Issued)		Digital East Herts (In Planning)	Home Improvement Agency (Allocated)	Commercial / Income Generation (Allocated)	Compliance Monitoring Contract (Allocated)	Main Accounting (Allocated)	TSS Improvement Plan - Incident Mgmt. (Allocated)		
	CCTV – joint internal audit (Final Report Issued)	TSS Improvement Plan – Governance (b/f from Jan) (In Fieldwork)							Treasury Mgmt. (Allocated)		

APPENDIX D: 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.