East Herts Council
Audit and Governance Committee

28 July 2020
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:
a) Note the Internal Audit Progress Report
b) Approve Amendments to the Internal Audit Plan as at 10th July 2020
c) Note the Status of Critical and High Priority Recommendations

Contents

1 Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with:

a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2020/21 Internal Audit Plan as at 10th July 2020.
b) The findings for the period 1 April 2020 to 10th July 2020.
c) The proposed changes required to the approved Internal Audit Plan.
d) The implementation status of previously agreed audit recommendations.
e) An update on performance management information as at 10th July 2020.

<u>Background</u>

1.2   Internal Audit's Annual Plan for 2020/21 was approved by the Audit and Governance Committee at its meeting on 19 May 2020. The Audit and Governance Committee receive periodic updates against 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 10th July 2020, 12% of the 2020/21 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).

2.2   The following final reports have been issued since the last Progress Report to the Audit and Governance Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Creditors 2019/20	March 2020	Good	None
Debtors 2019/20	April 2020	Satisfactory	One Medium priority
Treasury Management 2019/20	April 2020	Good	None
IT Project Management 2019/20	April 2020	Satisfactory	Two Medium priority
Commercialisation 2019/20	May 2020	Satisfactory	Four Medium, One Low/Advisory priority
Main Accounting 2019/20	June 2020	Satisfactory	Five Medium, Two Low/Advisory priority

| Budgetary Control 2019/20 | June 2020 | Good | Three Low/Advisory priority |

2.3   The table below summarises the position regarding 2020/21 projects as at 10th July 2020. Appendix A provides a status update on each individual project within the 2020/21 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	0	0
Draft Report Issued	0	0
In Fieldwork/Quality Review	4	14
In Planning/Terms of Reference Issued	2	6
Allocated	19	66
Not Yet Allocated	0	0
Cancelled	4	14
Total	29	100

Proposed Audit Plan Changes

2.4   At the start of the new financial year, Council resources were focused on maintaining services and responding to the COVID-19 pandemic. As a result, no internal audits were started in April and May (a delay in starting to deliver the 2020/21 Audit Plans was experienced across all SIAS partners). As part of the gradual return to Audit Plan delivery at this Council, six audits are now underway at the time of writing this report and it is anticipated that further audits will commence going forward.

2.5   Contact was maintained with the Head of Strategic Finance and Property during the above period and a decision made by management to delay some audits to later in the year and, as a result of the loss of available time within the year, an assessment made on those audits that are either no longer required or not seen as a priority.

2.6   For the reasons outlined above, the following Audit Plan changes were agreed with management and are proposed to the Committee:

Cancellations

a) Emergency Planning (10 days) – audit intended for quarter 2, however, the Council's Plans were tested in the real environment through the response to COVID-19.
b) Food Safety (10 days) – audit intended for quarter 1 but it was not considered a priority whilst many food premises were closed.

c) Customer Services (10 days) – audit intended for quarter 1 but it was not considered a priority whilst the Council Offices were closed.

Amendments

d) Grange Paddocks and Hartham Leisure Centres (10 days) – audit intended for quarter 1 but this project is now being reviewed by the Council's external auditor. The internal audit days have been returned to contingency and will be reallocated to a new audit later in the year.

2.7   The impact of the above changes is a total reduction of 30 days in the 2020/21 Internal Audit Plan as originally approved by Committee in March 2020.

2.8   It has also been necessary to re-profile the remaining audits in-line with service capacity as known at the time of writing this report. This is shown at Appendix C. The position will be reviewed as the year progresses and any further changes reported to Committee.

Critical and High Priority Recommendations

2.9   Members will be aware that a Final Audit Report is issued when it has been agreed ("signed off") by management; this includes an agreement to implement the recommendations that have been made.

2.10   The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

2.11   The 2020/21 annual performance indicators were approved at the SIAS Board meeting in March 2020.

2.12   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 10 July 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	11% (31/270 days) Note (1)	12% (32.5/270 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	0% (0/25 projects)	0% (0/25 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 received) Note (2)

4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	No High priority recommendations have been made

Note (1) - this reflects the delay in starting to deliver the 2020/21 Internal Audit Plan.
Note (2) - the 2 received in 2020/21 relate to 2019/20 audits.

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

2020/21 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 64 days									
Main Accounting System						8	Yes	0	Allocated
Debtors						8	Yes	0	Allocated
Creditors						8	Yes	0	Allocated
Treasury Management						6	Yes	0	Allocated
Payroll						8	Yes	0	Allocated
Council Tax						6	Yes	0	Allocated
Business Rates						6	Yes	0	Allocated
Housing Benefits						6	Yes	0	Allocated
Asset Management						8	Yes	0	Allocated
Operational Audits – 109 days									
Customer Services						0	N/A	0	Cancelled
My View (Payroll self service)						10	Yes	0	Allocated
Grounds Maintenance						10	Yes	0	Allocated
Car Parking						10	Yes	0	Allocated
Emergency Planning						0	N/A	0	Cancelled
Development Control						10	Yes	0	Allocated
Facilities Management						10	Yes	6.5	In Fieldwork
Waste Management (follow-up)						2	Yes	0.5	In Planning
Fly Tipping						10	Yes	0	Allocated
Food Safety						0	N/A	0	Cancelled
Climate Change & Sustainability						7	Yes	0	Allocated
Tree Management						10	Yes	3	In Fieldwork
Performance Management						10	Yes	3.5	In Fieldwork

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Business Improvement District						10	Yes	0	Allocated
Millstream Property Investment						10	Yes	0	Allocated
Procurement, Contract Management and Project Management – 10 days									
Grange Paddocks & Hartham Leisure Centres						0	N/A	0	Cancelled
Old River Lane						10	Yes	0	Allocated
Risk Management and Governance – 10 days									
Risk Management						10	Yes	2.5	In Fieldwork
IT Audits – 12 days									
Payment Card Industry Compliance						6	Yes	0.5	In Planning
Hardware Acquisition, Movement & Disposal						6	Yes	0	Allocated
Shared Learning and Joint Reviews – 5 days									
Joint Reviews						2	No	0	Not Yet Allocated
Shared Learning						3	No	0	Not Yet Allocated
Counter Fraud – 3 days									
Matters Identified By SAFS						3	Yes	0	Not Yet Allocated
Ad Hoc Advice – 2 days									
Advice						2	Yes	0	Allocated
Completion of 19/20 Projects – 10 day									
Various						10	Yes	2.5	In Progress
Contingency – 20 days									
Contingency						20	N/A	0	Through Year
Strategic Support – 45 days									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete
Audit Committee						8	Yes	2.5	Through Year

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Follow Up of Audit Recommendations						4	Yes	0.5	Through Year
Client Liaison						6	Yes	1	Through Year
Liaison with External Audit						1	Yes	0.5	Through Year
Plan Monitoring						12	Yes	1	Through Year
SIAS Development						5	Yes	5	In Progress
2021/22 Audit Planning						6	Yes	0	Allocated
EHC TOTAL		**0**	**0**	**0**	**0**	**290**		**32.5**	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
1.	Cyber Security follow up (2018/19).	Network access control. Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council's IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the connection All connections are approved before being allowed to proceed. Devices connected to the IT network should be reviewed on a routine basis.	The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.	ICT Strategic Partnership Manager.	Network Tools July 2019. Intune October 2019. Procurement of network tools revised to November 2020.	July 2019. This is a new addition and the management response opposite is therefore the latest comment. September 2019. Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21. December 2019. Revised date as above. It is very rare (if ever) that someone connects	Partially implemented – continue to monitor.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
						an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it. February 2020. Revised implementation date as above. July 2020. Budget obtained to purchase networking tools to cover this and other security areas. The procurement will start shortly.	
2.	Incident Management follow up (2018/19).	Updating the disaster recovery plan. Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre. A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the	With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI upgrade.	July 2019. This is a new addition and the management response opposite is therefore the latest comment. September 2019. VDI upgrade out to tender with award scheduled for October 2019. December 2019. Expected completion	Partially implemented – continue to monitor.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
		expected time frame. The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.				for this work is now April 2020. February 2020. As above. July 2020. A verbal update will be provided at the committee meeting.	
3.	Herts Home Improvement Agency 2018/19. *These recommendations and their implementation status are overseen and monitored by Hertfordshire County Council as the lead authority but are included here for Member information.*	The HHIA should review the current business continuity and succession planning arrangements in place to ensure that the service can continue to function in the absence of key officers. Given the existing recruitment difficulties, the Board should critically review whether the existing pay grading structure is sufficient, or indeed whether recruitment difficulties relate to underlying issues in respect of the structure, job roles and responsibilities within the Agency. The above recommendation is critical as whilst the HHIA may be able to secure sufficient staff capacity	New Senior Management structure in place: Head of Service reporting to Head of Hertfordshire Equipment Service. Longer term continuity to be reviewed as part of the review project. Put in place staffing to support the service whilst review is undertaken: - MA overseeing Operations team but not undertaking operations tasks - Operations Manager replaced by Senior Technical Officer (Agency) with sole focus on progressing projects	Head of HHIA and Head of Hertfordshire Equipment Service (HES).	In place. In place / in progress.	September 2019. New Senior Management team in place and recruitment for Business Analyst will be complete August 2019. Senior Technical Officer role re-graded and out to advert August 2019. In discussion with HR to create a career grade for Technical roles to improve ability to attract staff. Quality Improvement plan under discussion but may be a long-term project. Quality Improvement Plan target subject to review. December 2019.	Implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
		through the use of temporary staff, this is not financially sustainable within the business model, nor does it provide the required workforce stability that the HHIA requires to provide a consistent level of service and drive through key business change activities.	- SE acts as cover/support for MA - Business Development Manager resigned – to be replaced by Business Analyst (fixed term 1 year) Work with HR colleagues to review current structure, with particular focus on technical roles, although there needs to be an acceptance that there will be short-term reliance on agency staff in technical roles until these can be reviewed. Undertake Financial Analysis to understand potential to grow staffing with revenue Review of processes to improve productivity and stop blockages. To be incorporated in recovery plan.		Oct/Nov 2019. Oct/Nov 2019. In progress.	Standard Operating Procedures are being developed and are nearing completion. The new Business Analyst is now in post and will provide both strategic and operational statistics alongside case monitoring infrastructure . A new caseworker started in November and technical officer have been recruited and due to start on 9 Dec 19. Senior Technical Officer role was re-graded and interviews are taking place this month for the second time. A review of the HIA team structure is due to take place in early 2020. As the HIA moves towards a client centred approach. <u>February 2020.</u>	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
						As above. Revised implementation date May 2020. July 2020. The recommendation has been implemented.	
4.	Herts Home Improvement Agency 2018/19. *As above.*	Further training should be provided to HHIA staff to ensure that the case management system is completed and updated in line with expectations. Regular data quality checks should be performed on the case management system to obtain assurance that records are updated in an accurate and timely manner (including a review of data exceptions – e.g. blank fields). A mapping exercise should be performed to identify the key fields within the case management system that support key monitoring and KPI routines, with data quality checks focusing in particular on these areas. We also recommend that HCC Finance is provided	Undertaking review of CMS system Process mapping exercise completed to understand how staff currently use the system and where changes need to be made Identification of training needs for staff and resource to undertake these. Training to include inputting and quality of data. Super-user / system manager to be identified to oversee data checks, develop the system e.g. for mobile working, and work with Finance to develop reporting suite. Review access to CMS/ other reporting	Head of HHIA and Business Improvement Manager.	In progress completion by August 2019. Mapping complete. Further recommendation by Aug 2019. By August 2019 Training by Oct 2019. Autumn 2019 (funding and resource dependent). Autumn 2019.	September 2019. Review and process mapping complete. Some training completed July 2019 and Business Analyst (when in post) to oversee superusers and work with Finance to develop reporting protocols. Due to issues raised in review, a meeting is to be held with Foundations and systems developer in August 2019 to raise issues around outstanding development of the system. Report will be made to HHIA Board regarding potential options which could include replacing the system when the current	Implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
		with access to a reporting suite within the case management system, sufficient to support the production of financial monitoring / Board reports.	suites for Finance to allow for improved financial reporting or define how this will be achieved e.g. Business Analyst to report on non-SAP data.			contract ends (Sept 2020). December 2019. A full review of the CMS system has now been completed. Report is available - with recommendations now being incorporated into the audit tracker for monitoring. All current HIA staff will undertake " Ferret Training" in January 2019 to ensure all staff are "up skilled" and we are resilient as a team. The new Business Analyst will be the Super user of the team, followed by Senior Business Support after training. The Business Analyst has begun working with finance to align CMS and SAP reporting.	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (July 2020)
						The Business analyst starting from November to undertake random monthly "spot check" audits. February 2020. As above. July 2020. The recommendation has been implemented.	

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2020 TO MARCH 2021) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Food Safety (Cancelled)	Customer Services (Cancelled)	Performance Management c/f from May (In Fieldwork)	Climate Change and Sustainability	Grounds Maintenance
Grange Paddocks and Hartham Leisure Centres (Cancelled)		Risk Management (In Fieldwork)	Waste Contract (follow up) (In Planning)	Fly Tipping	Emergency Planning (Cancelled)
		Tree Management (In Fieldwork)			Payment Card Industry Compliance c/f from May (In Planning)
		Facilities Management c/f from April (In Fieldwork)			

Oct	Nov	Dec	Jan	Feb	Mar
Old River Lane	Council Tax	Main Accounting	Treasury Management	Asset Management	
Car Parking c/f from July	Non-Domestic Rating	Debtors	Hardware Acquisition, Movement & Disposal	Millstream Property Investment	
	Housing Benefits	Creditors	Business Improvement Districts		
	My View (payroll self-service)	Payroll	Development Control		

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.