East Herts Council
Audit and Governance Committee

22 September 2020
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

# 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 4 September 2020.
b) The findings for the period 1 April 2020 to 4 September 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 4 September 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 4 September 2020, 26% 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 |
|---|---|---|---|
| Information Management 2019/20 | July 2020 | Limited | One High, Three Medium priority |
| Recycling 2019/20 | Aug 2020 | Satisfactory | Five Medium, Three Low/Advisory priority |
| Performance Management | Sept 2020 | Satisfactory | Two Medium, One Low/Advisory priority |

2.3    The table overleaf summarises the position regarding 2020/21 projects as at 4 September 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 | 1 | 3 |
| Draft Report Issued | 4 | 14 |
| In Fieldwork/Quality Review | 0 | 0 |
| In Planning/Terms of Reference Issued | 5 | 17 |
| Allocated | 15 | 52 |
| Not Yet Allocated | 0 | 0 |
| Cancelled | 4 | 14 |
| Total | 29 | 100 |

Proposed Audit Plan Changes

2.4    No audit plan amendments have been proposed since the last committee meeting. Members may recall being advised at the last committee meeting that 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 return to Audit Plan delivery at this Council, audits are now underway and it is anticipated that all remaining planned audits will commence going forward.

Critical and High Priority Recommendations

2.5    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.

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

Performance Management

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

2.8    The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table overleaf:

| Performance Indicator | Annual Target | Profiled Target | Actual to 4 Sept 2020 |
|---|---|---|---|
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed | 95% | 25% (68/270 days) Note (1) | 26% (69.5/270 days) |
| **2. Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects | 95% | 20% (5/25 projects) | 20% (5/25 projects) |
| **3. Client Satisfaction** – percentage of client satisfaction questionnaires returned at 'satisfactory' level | 100% | 100% | 100% (4 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 4 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 | 0.5 | In Planning |
| Business Rates | | | | | | 6 | Yes | 0.5 | In Planning |
| 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 | 0.5 | In Planning |
| Car Parking | | | | | | 10 | Yes | 0 | Allocated |
| Emergency Planning | | | | | | 0 | N/A | 0 | Cancelled |
| Development Control | | | | | | 10 | Yes | 0 | Allocated |
| Facilities Management | | | | | | 10 | Yes | 9.5 | Draft Report Issued |
| Waste Management (follow-up) | | | | | | 2 | Yes | 1.5 | Draft Report Issued |
| Fly Tipping | | | | | | 10 | Yes | 2 | TOR Issued |
| Food Safety | | | | | | 0 | N/A | 0 | Cancelled |
| Climate Change & Sustainability | | | | | | 7 | Yes | 0 | Allocated |
| Tree Management | | | | | | 10 | Yes | 9.5 | Draft Report issued |
| Performance Management | Satisfactory | 0 | 0 | 2 | 1 | 10 | Yes | 10 | Final Report Issued |

## 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 | 9.5 | Draft Report Issued |
| **IT Audits – 12 days** | | | | | | | | | |
| Payment Card Industry Compliance | | | | | | 6 | Yes | 1.5 | TOR Issued |
| 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 | 4 | 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 | 4.5 | 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 | 1.5 | Through Year |
| Client Liaison | | | | | | 6 | Yes | 1.5 | Through Year |
| Liaison with External Audit | | | | | | 1 | Yes | 0.5 | Through Year |
| Plan Monitoring | | | | | | 12 | Yes | 4.5 | Through Year |
| SIAS Development | | | | | | 5 | Yes | 5 | In Progress |
| 2021/22 Audit Planning | | | | | | 6 | Yes | 0 | Allocated |
| **EHC TOTAL** | | **0** | **0** | **2** | **1** | **290** | | **69.5** | |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Sept 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 (Sept 2020) |
|---|---|---|---|---|---|---|---|
| | | | | | | an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.<br><br>February 2020.<br>Revised implementation date as above.<br><br>July 2020.<br>Budget obtained to purchase networking tools to cover this and other security areas. The procurement will start shortly.<br><br>September 2020.<br>A verbal update will be provided at the meeting. | |
| 2. | Incident Management follow up (2018/19). | Updating the disaster recovery plan.<br>Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.<br>A complete IT Disaster Recovery scenario test on all applications and | 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 | ICT Strategic Partnership Manager. | August 2019 – DR review.<br>April 2020 - VDI upgrade. | July 2019.<br>This is a new addition and the management response opposite is therefore the latest comment.<br><br>September 2019.<br>VDI upgrade out to tender with award | Partially implemented – continue to monitor. |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Sept 2020) |
|-----|--------------|----------------|---------------------|---------------------|---------------------|--------------------------------|--------------------------|
|  |  | systems should take place to provide assurance that recovery could happen within the 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. | capacity in the event on one data centre being of offline. |  |  | scheduled for October 2019.<br><br>December 2019.<br>Expected completion for this work is now April 2020.<br><br>February 2020.<br>As above.<br><br>July 2020.<br>A verbal update will be provided at the committee meeting.<br><br>September 2020.<br>A verbal update will be provided at the meeting. |  |
| 3. | Information Management (2019/20). | Absence of a defined Information Asset Register<br>Management should put arrangements in place for a data audit to be performed, the scope of which should include, but not be limited to, the identification and assessment of the information assets held by the Council.<br><br>Using the results of the data audit, management | The Head of Legal and Democratic Services and Monitoring Officer had joined the Council days before the audit commenced and it was difficult for him to know precisely where the required information had been saved.<br><br>While initial searches associated with the | Head of Legal and Democratic Services and Monitoring Officer. | September 2020. | September 2020.<br>This is a new recommendation. It has since been superseded. | This recommendation has been superseded. It is included here for completeness and will not be subject to further monitoring. |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Sept 2020) |
|-----|--------------|----------------|---------------------|---------------------|---------------------|--------------------------------|--------------------------|
| | | should produce an Information Asset Register, which should record the security measures and storage controls implemented to protect each information asset as well as the name of an appropriate information asset owner. | audit did not locate an Information Asset Register, one has since been located, as has a list of appropriate information asset owners. | | | | |
| | | Furthermore, management should define the responsibilities of the information asset owners and communicate them to all members of staff. | The Council is currently reviewing its Information Governance arrangements, following which a review of the aforementioned Information Asset Register has been prioritised to ensure it is fit for purpose and up to date. This is similarly true for the list of information asset owners as well. | | | | |

**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 Final Report Issued | Climate Change and Sustainability Allocated to Auditor | Grounds Maintenance In Planning |
| Grange Paddocks &Hartham Leisure Centres (Cancelled) | | Risk Management Draft Report Issued | Waste Contract (follow up) Draft Report Issued | Fly Tipping TOR Issued | Emergency Planning (Cancelled) |
| | | Tree Management Draft Report Issued | | | Payment Card Industry Compl. (c/f from May) TOR Issued |
| | | Facilities Management c/f from April Draft Report Issued | | | |

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

| 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. |