

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 1 September to 30 November 2017

Responsible Officer: Emma Hodds – Head of Internal Audit for South Holland DC

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes: -
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 27 March 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Changes were reported to the Committee in September (Communications and Elections & Electoral Registration), since then, there have been the following changes to the plan:

Audit description	Nature of the change
Democratic Services	<p>This audit has been rescheduled to 2018/19, the audit was due to cover: progress in achieving the Charter Member Status and Members allowances and expenses.</p> <p>The team are currently reviewing how they will address the first element of the scope due to staffing changes, therefore it is beneficial to look at this once decisions are made. It therefore also made sense to postpone the other element of the review.</p>
Housing Benefit Subsidy	<p>Due to the complexity of the cases the testing is taking longer than anticipated. The cases have increased in complexity over recent years., the main reason for this appears to be the introduction of ATLAS automation (DWP data) and RTI's (HMRC data). Data is being fed into the system on a 'live' basis which means that claims are constantly being reassessed further back or in the future. This inevitably creates more splits, more offset and netting which in turn takes much longer to assess.</p> <p>An increase of five days has been agreed.</p>

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.

However there has been some rescheduling of audits, resulting in more work to be completed in the latter parts of the financial year, it is therefore important that work is progressed as now planned.

- 3.2 In summary:

77.5 days of programmed work has been completed by Eastern Internal Audit Services, equating to 53% of the (revised) Audit Plan for 2017/18.

37 days of programmed work has been completed by East Lindsey District Council, equating to 53 % of the (revised) Audit Plan for 2017/18.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for

service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4 During the period covered by the report Internal Audit Services have issued five final reports:

Audit	Assurance	P1	P2	P3
Planning and Planning Enforcement	Reasonable	0	4	1
Corporate Performance & Corporate Plan	Substantial	0	0	2
Welland Homes	Reasonable	0	2	1
Electoral Registration	Reasonable	0	0	3
IT Project Delivery	Reasonable	0	0	1

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

4.5 As can be seen in the table above as a result of these audits 14 recommendations have been raised, two of which have already been implemented by management and the remaining 12 are not yet due for completion.

In addition, two Operational Effectiveness Matters have been proposed to management for consideration.

4.6 It is also pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement. Or raise issues that need considering and addressing.

5. PERFORMANCE MEASURES

5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas, the performance measures can be seen at **Appendix 3**.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3 Work for quarters one and two have been completed, however we are awaiting management response to enable two reports to be finalised.

A report on the performance measures provided to the Head of Internal Audit, performance is currently at green status with targets having been satisfactorily met for these quarters.

- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that work is on track, however we need to ensure that the remaining audits are progressed as currently planned.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Grants for Growth Phase 1	SH1801	2	2	2	Final Outcomes issued 14 June 2017						
Communications	SH1802	4	0	0							
Planning and Planning Enforcement	SH1818	16	16	15	Final Report issued 29 September 2017	Reasonable	0	4	1	2	14 December 2017
Section 106	SH1807				Draft Report issued 27 July 2017						
TOTAL		22	18	17							
Quarter 2											
Corporate Performance & Corporate Plan	SH1803	7	7	7	Final Report issued 13 September 2017	Substantial	0	0	2	0	14 December 2017
Welland Homes	SH1804	10	10	10	Final Report issued 14 November 2017	Reasonable	0	2	1	0	14 December 2017
Asset Management	SH1809	10	10	9	Draft Report issued 11 October 2017						
Elections & Electoral Registration	SH1806	8	4	3	Final Report issued 20 September 2017	Reasonable	0	0	3	0	14 December 2017
TOTAL		35	31	29							
Quarter 3											
Environmental Protections	SH1805	6	6	5	Draft Report imminent						
Housing Rents	SH1808	12	12	11	Draft Report issued 15 November 2017						
Democratic Services	SH1810	5	0	0							
TOTAL		23	18	16							
Quarter 4											
Grants for Growth Phase 2	SH1801	6	6	0							
Housing needs, allocation, homelessness, housing register and PSH	SH1811	10	20	0	Audit due to start in January						
Planned maintenance, major contracts and property services	SH1812	10	0	0							
Responsive repairs, voids and recharges											
Corporate Governance	SH1813	4	4	0							
Risk Management	SH1814	3	3	0							
Transformation Programme	SH1815	6	6	0							
Procurement & Contract Management	SH1816	8	8	0							
TOTAL		47	47	0							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
IT Audits											
IT Project Delivery - Phase 1	SH1817	7.5	7.5	7.5	Final Report issued 18 October 2017	Reasonable	0	0	1	0	14 December 2017
IT Project Delivery - Phase 2	SH1817	5	5	0							
IT Project Delivery - Phase 3	SH1817	7.5	7.5	0							
TOTAL		20	20	7.5							
Follow Up											
Follow Up	NA	12	12	8							
TOTAL		12	12	8							
TOTAL		159	146	77.5			0	6	8	2	
Percentage of plan completed				53%							
Audit delivered by East Lindsey District Council											
Key Controls & Assurance	tbc	20	20	5	Quarter three and four						
Accounts Receivable	tbc	10	10	2	Terms of Reference issued to key clients Audit to start in October, with final report by end of December						
Budget Management & Control	tbc	10	10	0	Quarter four						
Housing Benefit Subsidy	tbc	25	30	30	Complete						
		65	70	37							
				53%							
OVERALL TOTAL		224	216	114.5							
				53%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Planning and Planning Enforcement

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Planning Applications	0	1	0	2
Planning Enforcement	0	3	1	0
Total	0	4	1	2

SCOPE

The audit reviewed the Council’s performance on dealing with planning applications and enforcement activities and the processes in place for managing and monitoring these key schemes.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the Planning Applications, and Planning Enforcement. The assurance opinions have been derived as a result of four 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- A planning application processing manual is in place that details the steps taken by the Administrative team in receipt, validation, registration of planning applications, consultation, amendments to planning applications, determination and decisions, appeals and miscellaneous such as pre-application.
- Pre-application enquires made by the public are responded to in a timely manner.
- Planning application fees are received prior to the application being processed by the Council.
- The fees charged for planning applications are in accordance with the planning fees schedule.
- Planning application fees are coded directly to the ledger upon receipt.
- Neighbours, Council departments and relevant authorities are consulted as part of the planning officer's consideration of a planning application.
- The progress of each planning application case can be monitored on Ocella by the case officer and managers.
- Applications are approved in accordance with delegated authority.
- Formal conditions and enforcement notices are correctly approved in accordance with levels of delegated authority.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings four 'important' recommendations have been made.

Planning Applications

- Decisions be made in accordance Department of Communities and Local Government (DCLG) requirements for extensions of time with evidence retained on file confirming compliance. this is to reduce the risk of dissatisfied customers and financial loss to the Council where the applicant is refunded the planning fee.

Planning Enforcement

- Planning Enforcement policy and procedure is to be put in place to reduce the risk of incorrect / inconsistent practices developing, leading to legal challenge and reputational damage to the Council.
- Another officer be allocated to cover enforcement activity in the absence of the Senior Compliance Officer so as to reduce the risk of delays in enforcement action potentially resulting in non-compliances with enforcement policy.
- Case Officers handling planning enforcement cases are to produce monthly management reports detailing action taken in respect of planning enforcement complaints completed and outstanding planning enforcements cases. This will reduce the risk of having incorrect action been taken or that cases remain open on the system indefinitely and poor performance remains undetected.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Planning Enforcement

- All planning enforcement complaints to be acknowledged within three working days of receipt, with evidence retained. This will reduce the risk of having dissatisfied complainants leading to a reputational risk for the Council.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- The Council to consider charging for its pre-application service thereby helping to cover costs and to be consistent with other local Councils who already charge for this service.
- The Council to set a timeframe for applicants to provide the supporting missing information for invalid applications.

Other issues

Councils are liable to refund the application fees to the applicant if a case is not determined after 26 weeks without an agreed extension. A report generated from Ocella for June 2017 revealed that there were 16 planning applications over 26 weeks where no extension of time has been agreed, with the total amount of associated fees being £6,947. (See recommendation 1).

The Place Manager subsequently stated that overall, performance against target is very high and that this has only been achieved with extensions of time. In terms of audit concerns over having to return fees, the Council is currently liable to return £6,947 (£2,695 of which is an application submitted by the Council itself). There is currently £242,577 protected by extensions of time (97% of all fees for applications currently over 26 week and potentially liable for a refund). This is a largely positive message, and one that demonstrates that the system that is working. It is not an area of concern, rather the reverse.

The Place Manager also stated that since the introduction of legislation requiring the repayment of fees in certain circumstances the Council has not be obliged to make any repayments to date.

Previous audit recommendations

This area has not been subject to previous internal audit scrutiny.

Assurance Review of Corporate Performance and Corporate Plan

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Corporate delivery plan	0	0	1	0
Performance Indicators	0	0	1	0
Total	0	0	2	0

SCOPE

The objective of the audit was to review the systems and controls in place within Corporate Performance for both Breckland and South Holland, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the Corporate Performance and Corporate Plan Arrangements. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- This assurance opinion indicates that the overall level of control has remained the same (Substantial) since the previous audit of Performance Management (BRK/16/05) at Breckland, indicating a strong and stable control environment in this key corporate area. This direction of travel relates only to Breckland since there is no previous coverage for South Holland with which to compare, however it is noted that systems and processes are the same at both sites and have been for some time.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Corporate Delivery plans for both Breckland and South Holland Councils include four Corporate Priorities which are broken down into Critical Activities. Key Actions have been identified for each Critical Activity and Team Actions allocated to each Key Action. These have been uploaded to and are monitored through Covalent.
- The Team Actions in the Corporate Deliver plans have been allocated to the service areas responsible for implementing the Team Actions, with these being assigned to the responsible staff members.
- Performance Indicators (PIs) and supporting data are recorded and collated on Covalent, with these being assigned to the responsible staff members.
- The Corporate Improvement and Performance (CIP) team has recently commenced meeting with the services on a monthly to six weekly basis, to review the team's performance on their allocated PIs and encourage the team to use Covalent regularly thus ensuring up to date information is provided and reported upon.
- The Performance, Risk and Audit Board plays a pivotal role in reviewing all performance, and ensuring that managers take responsibility to deal with performance issues.

- The CIP Team monitors and reports on delivery of the key priorities identified within the Council's Corporate Plan 2015-19 on a quarterly basis. Reporting on delivery of the corporate priorities to both Cabinet Committees and the Overview and Scrutiny Committee for Breckland and the Performance Management Panel for South Holland.
- A new performance reporting format was introduced by the CIP Team with the first new format used for reporting quarter four for 2016/17. New features include; a trend chart for each indicator covering the last four quarters, the denominator and numerator for each performance indicator, the report compares performance in the fourth quarter of the previous year compared with performance in the fourth quarter being reported, the data reported for each indicator and the value in percentage, is included and compared with the targets for each of the indicators.
- The Council's PIs are Red, Amber and Green (RAG) rated in the quarterly performance report and in Covalent. Explanations were found to be provided and where applicable action to be taken was recorded.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'needs attention' recommendations have been made.

Corporate Delivery plans

- Responsible officers to promptly (monthly) update team actions in Covalent. This helps mitigate the risk of key objectives not being met and management not being kept informed with progress, particularly where there is under achievement. (Both Councils).

Performance Indicators

- To link all PIs to the Council's Corporate Delivery plan, thereby reducing the risk that the Corporate Delivery plan may not be measurable or the plan may not progress efficiently. (Both Councils).

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other issues

The report on Environmental Services (BRK/18/08) included a recommendation (No 1) to review and agree the correct set of corporate actions and PIs and to ensure these are monitored and reported. This was due to three more up to date corporate actions, as per the Team Plan Report, which had not been updated in Covalent. The review had also established that in 13 out of a total of 31 performance measures monitored, updates were overdue by at least one week. In one case

the delay was over a month (missed waste collections) and in a further two cases no updates had been provided for over a year (number of tagged bins and cost of household waste collection). Management accepted the recommendation with a date of implementation by 29th September 2017.

Previous audit recommendations

A previous report for Breckland on Performance Management (BRK/16/05) was issued in April 2016 with a 'Substantial' assurance having raised three 'needs attention' recommendations. All three recommendations have been confirmed as implemented through internal audit's cyclical follow up checks.

Assurance Review of Welland Homes Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Terms of Reference	0	1	0	0
Business Plan	0	0	1	0
Funding / Budget	0	0	0	0
Recharges	0	1	0	0
Total	0	2	1	0

No recommendations have been raised in relation to funding / budget.

SCOPE

The audit reviewed systems and controls in place within Welland Homes to confirm if these are operating adequately, effectively and efficiently. The terms of reference of Welland Homes, business plan, funding / budget arrangements (including Equity and Loan) and recharges were reviewed in the process of the audit.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two important and one needs attention recommendation being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged that there are areas where sound controls are in place and operating consistently:

- Welland Homes Ltd has a detailed business plan in place, which clearly documents the objectives of the company in three layers of detailed business cases. The plan has been revised to ensure compliance with the States Aid requirement and approved by the Welland Homes Board and South Holland District Council (SHDC).
- The revised business plan includes detailed financial and non-financial information, such as capital investment and financing information, cash flow statement and insurance costs, projected profit and loss, details and timing of projects, key assumptions underlying the plan and other relevant information.
- Loan debenture and equity agreements have been drawn between the Council, who funds Welland Homes via shares and loan, and Welland Homes. The documents were signed by the Council's Executive Director Commercialisation and a Director of Welland Homes.
- The Welland Homes Board of Directors meet regularly to review progress made on the business plan and projects, review the risk register and make decisions on how to take the plan forward.
- Financial reporting arrangements are in place. The company has a separate bank account which is reconciled to the ledger on a monthly basis and the financial information is validated through a monthly bank/cash reconciliation carried out by Compass Point Business Services.
- Welland Homes has a risk register that includes strategic company risks and operational risks identified by the respective project undertaken. There is also a group risk register which includes risks from the Council's perspective.
- The Board of Directors have received training from the Council's solicitor to support them in their roles as Directors.
- There is a clear distinction between the strategic and governance focused roles of the company directors and the day-to-day operational activity of the officers serving the company. This distinction has been supported by the training that was provided by the Council's solicitor to the Directors. This distinction sets out good governance and reflects good practice in this area, which it is expected will continue.

- The Welland Homes Directors who are also Councillors of SHDC have completed declarations of interest. The Councillors are also required to declare their interest at Council meetings when Welland Homes' matters are discussed.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'important' recommendation has been made.

Terms of Reference

- Key policies such as business continuity and disaster recovery and data protection are adopted by the company, to reduce the risk of the company being unable to operate independently of the Council.

Recharges

- Whilst annual recharges are prepared in order to reclaim the cost of the services rendered by SHDC to Welland Homes Limited, a formal service level agreement is required, to mitigate the risk of support services not being fit for purpose or disagreement over the level of service provided and cost.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Business Plan

- More information is provided on the Council's website about Welland Homes and the relationship between the company and the Council, to improve the visibility around the arrangements.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The audit review is the first audit to be carried out on Welland Homes Ltd and therefore there are no previous internal audit recommendations to follow up

Assurance Review of Elections and Electoral Registration

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Register access	0	0	1	0
Electoral register completeness and accuracy	0	0	1	0
Canvassers	0	0	1	0
Election administration	0	0	1	0
Total	0	0	4	0

No recommendations have been raised in respect of postal voting.

SCOPE

The objective of the audit was to review the systems and controls in place within Electoral Registration (both Councils) and Elections (Breckland only), as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of four 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Electoral registration is conducted in accordance with legislation and government guidance.
- An annual canvass is conducted to ensure that all residents are given the opportunity to register to vote.
- New electoral registrations are automatically verified by matching with data held by the Department for Work and Pensions, and checked for duplicate entries to the register.
- Elector preferences, such as opting out of the open register, are recorded on the register.
- The electoral register is publicly available and provided to all entitled bodies who request a copy.
- There is an audit trail of all changes made to the electoral register.
- Election expenditure is justified, recorded and authorised, with supporting evidence retained.
- Expenditure on parish and town council elections is recharged to the relevant council.
- Postal vote applications are processed in a timely manner and acknowledgements are sent to applicants.
- Arrangements are in place for the secure storage, opening and verification of postal votes.
- Election procedures are reviewed and updated following major elections.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where four 'needs attention' recommendations have been made.

Register security

- The number of user accounts with administrator access to the Xpress system be reduced, to reduce the risk of misuse of the (confidential) data contained within the system. (Both Councils)

Canvassers

- Canvasser worksheets to be signed and dated before payments are made, to reduce the risk of inappropriate payments being made and gaining assurance that work has been completed as required. (South Holland)

Election administration

- Reconciliations of election expenditure are signed and dated by the preparer and reviewer, to reduce the risk of expenditure being unaccounted for. (Breckland)

Electoral register completeness and accuracy

- Processes to be put in place to ensure that Customer Services pass on the requisite information to Electoral Services where it involves a change in residency impacting on the Electoral Register. This will negate the need for further contact with the resident for obtaining the same information and reduce the risk of the electoral register containing outdated information. (South Holland)

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

A previous report on Elections and Electoral Registration for Breckland (BRK/14/04) was issued in August 2013 with an Reasonable assurance having raised five 'Important' and one 'Needs attention' recommendations, with all but one relating to electoral registration. All six recommendations have been confirmed as implemented.

There has been no recent coverage of electoral registration for South Holland.

Assurance Review of IT Project Delivery

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Project Delivery	0	0	1	0
Total	0	0	1	0

No recommendations were raised in the areas of Governance, Disaster Recovery, Review of Outstanding Audit Recommendations or Review of progress with ISO27001:2013 'Compliance'

SCOPE

Due to the recent approval of the report to both Councils with regards to the IT infrastructure, the audit time over the course of the year will be undertaken as intermediary reviews as to the progress made to date and what is still required and to ensure that controls remain robust and appropriate throughout the change management process.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work and in recognition of the challenges that remain within a programme of works that is at an early stage. Further audit work is planned later in the year to help provide continued assurance over the controls in place to manage the programme. The overall assurance grade for the future audit will reflect, in part, the progress of the programme to help deliver the strategic goals of both Councils.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Governance

- There is a formally documented ICT Governance Board Terms of Reference, which was last reviewed in March 2017.
- The ICT Governance Board has been meeting monthly since March 2017, with meetings documented and the action log updated as required.
- The Strategic Information Governance Board Terms of Reference have been documented in the agreed minutes of the Board's meeting held on 11th March 2017.
- The Strategic Information Governance Board meets regularly, with meetings documented and the action log updated as required.

IT Project Delivery

- The Councils have retained a trained ICT Project Manager to manage the Councils' "Moving Forward", "Shared Governance", "Shared Operational" and other, smaller programmes of work. The ICT Project Manager has implemented best practice project management processes in a proportionate manner to manage the programme of works adequately and effectively. Future audits will review the progress of the programme of works and comment further on the adequacy and effectiveness of these processes.
- The ICT Project Manager initiated a process whereby regular project highlight reports have been generated since her arrival. The audit noted that the reports are designed in an appropriate and proportional manner commensurate with the sizes and priorities of each project. For example, the projects that make up the "Moving Forward" programme - "IT Infrastructure" and "NCC Migration" - are being reported in separate highlight reports. The other programmes - "Shared Governance" and "Shared Operational" - are being reported in a more summarised manner as these are smaller and lower priority programmes.

Disaster Recovery

- The work to enhance South Holland District Council's backup processes has been completed.
- The audit has noted that the work to build a new replication infrastructure has been completed and tested and that the work to migrate all servers from the legacy infrastructure at both Councils has started. Lower risk servers are being migrated first to help test the infrastructure further, with the other servers following.

Review of outstanding audit recommendations

- A review of outstanding audit actions at both Councils has resulted in updates being added to Covalent that relate to the current status of the actions, with the updates resulting in the closure of a number of actions due to the recent activity as part of the key IT projects
- At the time of the audit the updates reflected that there are now only seven audit recommendations outstanding at Breckland, all of which are due to be implemented by the end of December 2017 and are part of the overall project plan.
- At the time of the audit the updates reflected that there are now only four audit recommendations outstanding at South Holland, all of which are due to be implemented by the end of March 2018 and are part of the overall project plan.

Review of progress with ISO 'compliance'

- The audit conducted a walkthrough of every suggested action that resulted from the recent ISO27001:2013 gap analysis carried out between January and March 2017. It was found that a project has been set up to implement the actions that the report set out. The project is made up of nine stages, with every action having been mapped to one or more of them. As a result, the actions are all effectively "in progress".

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'needs attention' recommendation has been made.

Project Delivery

- RAID logs need to be kept for all relevant projects to reduce the risk that relevant Risks, Actions, Issues and Dependencies relating to each project are not managed adequately and effectively.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

APPENDIX 3 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u> 1. Audit Committee Satisfaction – measured annually 2. Chief Finance Officer Satisfaction – measured quarterly	Adequate Good
<u>Internal Audit Process</u> 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) 6. Compliance with Public Sector Internal Audit Standards 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100% 100% 100% Full 100%
<u>Clients</u> 8. Average feedback score received from key clients (auditees) 9. Percentage of recommendations accepted by management	Adequate 90%
<u>Innovations and Capabilities</u> 10. Percentage of qualified (including experienced) staff working on the contract each quarter 11. Number of training hours per member of staff completed per quarter	60% 1 day