SOUTH HOLLAND DISTRICT COUNCIL

Report of: **Head of Audit & Risk Management – Audit Lincolnshire, and the Finance Manager**

To: **Governance & Audit Committee – 18 December 2014**

(Author: **Lucy Pledge – Head of Audit & Risk Management – Audit Lincolnshire**
Mark Finch – Finance Manager)

Subject: **Internal Audit Update Report**

Purpose: **To update the Committee on progress with the Audit Plan September 2014 to November 2014**

Recommendation:

That Members consider the content and outcomes of Internal Audit work and identify any action required

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1.0 **BACKGROUND**

1.1 The purpose of this report is to:

- Advise of progress being made with the 2014/15 Audit Plan
- Provide details of the audit work during the period
- Provide details of the current position with agreed management actions in respect of previously issued reports
- Update the committee on any changes to the 2014/15 Audit Plan and any other matters that may be relevant to the Governance and Audit Committee role.

2.0 **OPTIONS**

2.1 Consider the content and outcomes of Internal Audit work and identify any action required.

3.0 **REASONS FOR RECOMMENDATION**

3.1 To monitor Internal Audit progress including the results of Audit work.

4.0 **EXPECTED BENEFITS (AND MAIN REPORT)**

4.1 To meet the Audit Committees terms of reference in monitoring the work of Internal Audit.

Key Messages

4.2.   Work is progressing on the 2014/15 plan.

- 2 Audits complete   11% of jobs (includes HB)
- 8 Audits at the scoping/client brief stage 47% of jobs
- 5 Audits at fieldwork stage   30% of jobs
- 2 Audits at draft report stage   12% of jobs

      17 projects

Actual progress is less than expected however the majority of audits were planned towards the latter half of the year. Two audits, partnerships and risk management have taken longer than expected to commence.

4.3.   We have issued one final report since the last Committee. Two reports are at draft report stage, income receipting and insurance.

4.4.   The payroll audit for 2013/14 has been subject to several discussions with CPBS as well as ELDC auditors. Whilst a draft report was issued, CPBS subsequently provided additional evidence of internal control and this information was reviewed and improvements have been made. In discussion with ELDC auditors and CPBS it was agreed that due to the length of time since the original audit was completed and as the 2014/15 payroll audit is about to commence, control improvements will be fully tested as part of that audit review.

Internal Audit work completed from September 2014 to November 2014

4.4.   The following audit work has been completed and a final report issued:

Effective	Some improvement needed	Major improvement needed	Inadequate
	Accounts Payable (*Substantial Assurance*)		

Note: The Governance & Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

4.5.   Progress with the implementation of agreed management action on high and medium recommendations for previous audits is followed up and reported in Appendix 3 (summary) and Appendix 4 (detail).

4.6.   In the audits given "Some improvement needed" or "Effective" Assurance, we confirmed that the Council has sound processes in place as follows:

Accounts Payable – Substantial Assurance (13/14)

The Accounts Payable function is provided by Compass Point Business Services (CPBS) for both East Lindsey District Council (ELDC) and South Holland District Council (SHDC). Council officers raise purchase requisitions, request supplier set ups, and record goods received within the portal area of the AX system.

We have completed testing at both ELDC and SHDC to confirm that the processes and controls for Accounts Payable remain in place and are working as intended.

Through our transaction testing, observations and discussions with officers, we have confirmed that overall Accounts Payable processes are well controlled. In particular:

- Payments to suppliers are being made promptly and accurately
- Purchase requisitions over £500 are being approved by a budget manager
- Control reconciliations are carried out regularly and supporting documentation is retained
- Manual payments are fully recorded and authorised

We found some areas for improvement specifically around updating Authorised Signatories, ensuring refunds are requested for accounts in credit (after a period of time) and reminding all staff about the importance of raising official orders. These have been accepted and implemented.

Audits in Progress

4.7.   The following 2014/15 audits are currently in progress:

CPBS Corporate Governance

This is a joint review with East Lindsey Internal Audit team and covers performance management, Board roles, Company agreements, year end surpluses /deficits, changes affecting company activities, capital investment.

The audit is looking to provide assurance on the effectiveness of performance management information; managing the twin roles of Board Director and Council Officer; ensuring that agreements are up to date and fit for purpose and that there are clear processes for work beyond the scope of the contract; year end surpluses and deficits are treated appropriately; there are appropriate arrangements in place to

manage changes that may impact on the Company and that there are effective arrangements for continued capital investment where required.

ICT

The audit is looking to provide assurance on the arrangements for IT security:
- (infrastructure follow up, public service network accreditation, data protection agreements),
- the secure use of mobile devices,
- arrangements for disaster recovery (this is a follow up review),
- software management and licensing compliance,
- ICT strategies and the effectiveness of programme/project management.

Housing in Multiple Occupation

This review is examining the arrangements for controlling licensable and non licensable HMO's within the District and undertaking some benchmarking against other Councils.

Insurance

This audit will cover management arrangements over insurance, including planning, arranging and monitoring insurances; risks have been assessed in determining cover and Incidents are captured and claims are effectively handled where they arise

Health and safety

This review will examine the management of Health and Safety, incidents, risk assessments, use of contractors, premises risks, asbestos risks as well as other Health and Safety risk areas.

Information governance

This is a follow up review to the previous information governance audit (January 2014)

Income / Receipting

Our review will examine charges, accounting for income and banking. This review excludes the cash receipting ICT application as this was subject to an audit during 2013/14 where full assurance was given. We also will not cover income collection at outlying venues, for example, the South Holland Centre and Ayscoughfee Hall and Gardens.

Performance Information

4.8.   Our current performance against targets is shown below:

Performance Indicator	Target	Actual @ 30th Nov 2014
Percentage of 14/15 plan completed. Number of Audit Jobs: 17 Completed: 2	100% (revised plan)	42% (See comments in para 4.2 above)
Percentage of key financial systems completed.	100%	Annual Indicator
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented 14/15 audits falling due)	100% or escalated	2014/15 – N/A All years there are 25 recommendations outstanding See Appendix 3/4 below
Timescales	Draft report issued within 10 working days of completing audit. (target 100%)	100%
	Final report issued within 5 working days of closure meeting / receipt of management responses. (target 100%)	100%
	Audit completed to draft report stage within two months of starting fieldwork (target 80%)	75%
Client Feedback on Audit (average)	Good to excellent	100%

Other matters of interest

Funding Bids for Counter Fraud Development

The Department for Communities and Local Government (DCLG) have made £16m available to Local Authorities to tackle fraud for a two year period. Councils were invited to submit bids in order to receive a share of this fund?

Lincolnshire Fraud Partnership – total grant request £200k

This bid recognises DCLG's desire for Local Authorities to working jointly in the fight against fraud. We aim to create a Lincolnshire Fraud Partnership comprising counter fraud specialists and subject area experts from Lincolnshire County Council and seven district councils with the aim of:

- delivering joint fraud proactive exercises across Lincolnshire
- developing and delivering an effective co-ordinated fraud awareness programme
- sharing intelligence, investigative resource, expertise and best practice

Accountable to the Chief Finance Officers, the group would ensure a strong, effective and sustained response to the threat of fraud within Lincolnshire local authorities.

We are pleased to report that we were successful in our bid.

South Holland also submitted a joint bid with Boston Borough Council and East Lindsey District Council relating to business rates evasion and the project has received £125,820.

Shared business rates assurance managers Andy Hall and Mike Carr will work with the Valuation Office Agency to maximise the business rates collected by all three authorities.

Audit Commission – Protecting the Public Purse – October 2014

1. This is the last report in the Protecting the Public Purse series from the Audit Commission before it closes in March 2015. The key messages include:

- Scale of fraud against local government is large but difficult to quantify with precision – they do believe the last national estimate (2013) of £2.1 billion is probably an underestimate.

- Fewer cases of detected fraud were reported in 2013/14 compared with the previous year but the value has increased by 6%

- Councils will need to focus on non-benefit frauds that present the highest risk of loss, some example given were:

    - Council tax fraud
    - Right to buy
    - Social care fraud
    - Insurance fraud

- Detection rates for some frauds have fallen, specifically business rates and procurement fraud. They suggest the fall in detected fraud may be due to the fall in dedicated fraud officers.

- Detection rates in other areas has risen, such as schools (increase of 6% - £2.3m) and housing tenancy.

2. The Commission's counter-fraud activities will transfer to new organisations from April 2015 – the National Fraud Initiative will transfer to the Cabinet Office and the *Protecting the Public Purse* series and fraud briefings will transfer to the Counter Fraud Centre run by CIPFA.

3. The report recommends that councils should:

- use the Commission's checklist to review their counter fraud arrangements

- adopt a corporate approach to fighting fraud

- actively pursue potential frauds identified in the National Fraud Initiative

- assess themselves against CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption

- engage fully with the new CIPFA Counter Fraud Centre

The full publication can be found on the Audit Commission website at: www.audit-commission.gov.uk

CIPFA Counter Fraud Centre

4. The new CIPFA Counter Fraud Centre will lead and co-ordinate the fight against fraud & corruption across public services. They will be working be working closely with the DCLG, the National Crime Agency and the Cabinet Office and all Local Authorities are encouraged to engage with the Centre.

5. They have recently published a new Code of Practice which includes key principles and lists key actions which includes a policy framework – the Council already has all recommended fraud related polices with the exception of the Cyber Security Policy – we feel this is covered adequately in our existing IT Security Policies.

6. The CIPFA Counter Fraud Centre are offering some usual services which the counter Fraud Team will utilise, for example:

- training, including a new set of qualifications
- a subscription service (providing access to Counter Fraud tools, guidance and fraud alerts)
- good practice bank (including case studies)
- working groups to consider and develop guidance to tackle key fraud risk areas

Local Government Transparency Code 2014

7. This Code has recently been amended and there are now additional mandatory reporting requirements for Local Authorities. The first set of annual data must be published no later than 2 February 2015 and thereafter not less than annually. The new mandatory elements relating to counter fraud work are:

- number of occasions powers used under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers *(not applicable to County Council)*
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated

8. These reporting requirements are not too onerous as we periodically report on most of this information.

5.0   **IMPLICATIONS**

5.1   **Carbon Footprint / Environmental Issues**

5.1.1   It is the opinion of the Report Author that there are no implications.

5.2   **Constitution & Legal**

5.2.1   It is the opinion of the Report Author that there are no implications.

5.3   **Contracts**

5.3.1   It is the opinion of the Report Author that there are no implications.

5.4   **Corporate Priorities**

5.4.1   It is the opinion of the Report Author that there are no implications.

5.5   **Crime and Disorder**

5.5.1   It is the opinion of the Report Author that there are no implications.

5.6   **Equality and Diversity / Human Rights**

5.6.1   It is the opinion of the Report Author that there are no implications.

5.7   **Financial**

5.7.1   It is the opinion of the Report Author that there are no implications.

5.8   **Risk Management**

5.8.1   It is the opinion of the Report Author that there are no implications.

5.9   **Staffing**

5.9.1   It is the opinion of the Report Author that there are no implications.

5.10   **Stakeholders / Consultation / Timescales**

5.10.1 It is the opinion of the Report Author that there are no implications.

6.0   **WARDS/COMMUNITIES AFFECTED**

6.1   Not applicable

Lead Contact Officer

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Director / Officer who will be attending the Meeting:
Lucy Pledge – Head of Audit & Risk Management – Audit Lincolnshire;
John Scott – Audit Manager, Audit Lincolnshire
Mark Finch – Finance Manager

Key Decision: No

Exempt Decision: No

Appendices attached to this report:

Appendix 1 – Assurance Definitions
Appendix 2 – Audits with Limited Assurance
Appendix 3 – Outstanding Recommendations as at 03/12/14
Appendix 4 – Outstanding Recommendations as at 03/12/14 (detail)
Appendix 5 – Internal Audit Plan & Schedule

Appendix 1 - Assurance Definitions
Appendix 1 - Assurance Definitions[1]

Effective	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively. As a guide there are a few low risk / priority actions arising from the review.
Some improvement needed	Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified. As a guide there are low to medium risk / priority actions arising from the review.
Major improvement needed	Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives. As a guide there are numerous medium and a few high risk / priority actions arising from the review. Our work did not identify system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
Inadequate	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. Our work identified system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of high risks / priority actions arising from the review.

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[1] These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Audits where assurance is assessed as 'Major improvement needed" or
"Inadequate"

There are none.

END OF APPENDIX 2

Appendix 3 - Outstanding recommendations as at December 14

Audit Area	Date	Assurance	Number of Recs	Implem'd	Outstanding			Due date not yet reached
					H	M	L	
Asset Management	Sept 2013	Substantial	6	5		1		
AX security	April 2012	Limited	20	19	1			
Business Continuity	May 14	Limited	9	4	3	2		
Counter Fraud	July 2012	Substantial	5	4		1		
HR strategy and policies	April 2014	Substantial	4	1		2		1
HRA Business Plan	Oct 2012	Limited/Substantial	10	9	1			
ICT Disaster Recovery	Nov 2012	Limited	4	3	1			
ICT Infrastructure	Dec 2012	Substantial	21	14		7		
Procurement	Dec 2013	Limited	6	5	1			
Risk Management	April 2014	Substantial	6	0				6
Information Governance	Feb 2014	Limited	16	13	2	1		
Welfare reform	Feb 2014	Substantial	5	4		1		
Accounts payable	Sept 2014	Substantial	4	2		1		1
Recruitment and Selection	July 2014	Substantial	6	3				3

Note
Information governance follow up underway
IT Disaster recovery follow up underway
ICT Infrastructure follow up underway

END OF APPENDIX 3

APPENDIX 4

Outstanding Recommendations as at 03/12/14 (detail)

	Name	Priority	Finding	Ref	Agreed management action	Date to be completed	Response Comments	Revised date for completion	Person responsible
1	SHDC Asset Management 13/14	Medium	There is currently an issue with reporting on rent collection. The length of time a case has been in arrears cannot be identified at the moment. Therefore the data for the KPI of less than 3% of arrears at 90 days or more cannot be reported. CPBS are currently working with the team on this issue, but there is no estimated completion time for delivery of a report to identify the arrears.	4.1	Arrangements are being made with CPBS to meet up and work out a short term solution to allow KPI reporting, as well as a long term more permanent solution that will provide the team with regular and accurate data. If a solution is not forthcoming, this will be escalated by Steve Udberg.	1/10/2013	Sept 14 Still reported as not implemented - revised date 31/12/14 Feb 14: Discussions with CPBS ongoing. CPBS are revising their Credit Control policy and expect to be able to provide reports in 2014/15. In the meantime debtors cases are reported individually.	31/12/2014	David Bailey CPBS

| 2 | SHDC_AX Security | High | There are a number of AX-related Policies and Procedures being developed, many of them are awaiting completion or are in draft form.

In addition, there are gaps in the high-level policy framework relating to the use of IT across the organisation and selectively to the AX system in particular. | 2.1 | A number of AX related policies have been published on the intranet:

Fixed Assets, AP, AR, Security, General Ledger, VAT. There are 3 that are currently still under review: Interfaces, Treasury and reporting. The HR, payroll and expenses policies will also be prepared when there is a full system roll-out.

We consider it would be appropriate to issue a full set of AX policies for the start of the next financial year.

The Councils would also need to amend their budget and policy frameworks including financial regulations. | 31/3/2013 | Sept 2014 New security policy updated and published for January 2014. AX treasury policy sent for publication. AX policies published 2/01/2014. AX policy (payroll, expenses, staffright not live but configuration still required. Detailed work instructions have been delayed to ensure people are paid on time and Staff right was implemented by 01/04/2014. Work instructions will be completed when the new arrangements have bedded down allowing time to be spent doing these. AX HR Policy. Staffright in place 01/04/2014. New configuration still required with emphasis on getting Staffright in place. E-guides done working procedures will follow when system is settled down. Target date now 31/12/14 | 31/12/2014 | David Bailey, CPBS Finance Director |

3	SHDC_Business Continuity 2013/14	High	There does not appear to be a strong senior management promotion of Business Continuity in SHDC at this time. By not ensuring that staff are made aware of the importance of Business Continuity and by not embedding this, the impact could be that staff do not understand its importance and are not prepared should a Business Continuity situation occur.	1.1	The Corporate BC Plan is to be endorsed by CMT and this should be completed by mid-June. Following this we hope to involve the new Chief Executive more closely with Emergency Planning and Business Continuity processes so it is hoped that there will be much more senior management buy-in and promotion.	1/8/2014	Sep 14: There has been some delay in progressing this	No date yet	Riana Rudland, Community Development Manager
4	SHDC_Business Continuity 2013/14	Medium	At this time the Business Continuity training content is still being planned.	10.1	A training plan is currently being developed and this will be rolled out to staff over time. We are also planning to increase awareness through monthly newsletters and information on SHINE. We will also ensure that this is covered in staff inductions as well.	1/8/2014	Sep 14: There has been some delay in progressing this due to cross over in annual leave commitments. The internal communication around BC will be developed through the Communications group which meets on Thursday 11th September.

01/08/2014 for implementation, training rolled out from this date | 1/12/2014 | Riana Rudland, Community Development Manager |

| 5 | SHDC_Business Continuity 2013/14 | High | The Business Continuity Plans are not complete for all departments. The impact of this is that there could be a lack of clarity or procedures should an incident occur.

We also found instances of completed versions that were still designated as "draft" versions, had missing information and answers that were not definite. | 11.1 | Once the Corporate Plan has been updated, this allows for more focus on the smaller Service Area plans. While it is still down to the Service Managers to update their plans, the findings of this audit and the support of JEMS should help ensure that this is completed accurately and on a more regular basis. | 1/9/2014 | | No date yet | Riana Rudland, Community Development Manager |
| 6 | SHDC_Business Continuity 2013/14 | High | The last BC exercise that took place at SHDC was in October 2008.

The impact of this is that staff may not be prepared or follow procedures for a real life situation should it occur. There is also the concern that there could be "gaps" in the process that have not been identified and corrected through practicing a roleplay exercise.

Note - there is a planned exercise in 14/15. | 2.1 | An exercise is planned for later in the year and this will allow for review and reflection afterwards. This will become a scheduled event and we will complete an exercise on a more regular basis. We will also be doing desktop reviews moving forwards that will help us to confirm the service Business Continuity Plans are working. | 1/11/2014 | Exercise undertaken – awaiting further details | 1/11/2014 | Riana Rudland, Community Development Manager |

| 7 | SHDC_Business Continuity 2013/14 | Medium | There is limited information on Business Continuity available to staff at the moment. | 6.1 | We have plans to have a section on SHINE. This will also show any updates on the front page so that users can see all changes. We are also looking at increasing our internal communications. There is the potential for a monthly newsletter to come from the Comms team with the option of including updates as part of staff briefings delivered by the Chief Exec. Once this is in place we can then include information on Business Continuity. | 1/8/2014 | Sep 14: The BC section on SHINE is in the process of being developed. The internal communication around BC will be developed through the Communication group | 1/12/2014 | Riana Rudland, Community Development Manager |

| 8 | SHDC_Counter Fraud Review (Health Check) 12/13 | Medium | The Sanctions Policy (Housing Benefit and Council Tax Benefit Fraud offences) also requires review to ensure it is up to date. | 1.1.1 | All legislation is now in place for the Single Fraud Investigation Service. This will be implemented in April 2013 and policies will be updated in accordance with this. | 30/9/2014 | 12/9/2014 MH SFIS transfer confirmed as 1/10/14 and four staff in scope of TUPE .Residual work and SPOC duties to be picked up by new agreement which should retain 2 fte. Once transfer has happened then will need to review process etc
24 9 2014. In light of recent changes / decisions from the Councils and linked to the SFIS, AE will now produce a new policy for both clients rleating to the revised service that we can carry out on Council Tax Support Fraud. This is also linked to the outcome of seperate fraid bids for external governemnt funding. New policies to be produced during October and ready for approval that month / November.Date extended to 30 11 2014 to reflect this position MH | 30/11/2014 | Sharon Hammond & Andy Eaman (CPBS) |

| 9 | SHDC_HR strategy & policies 2013/14 | Medium | Performance statistics supplied by CPBS to SHDC for inclusion SHINE are not independently validated by the Joint Performance Team. | 3.1 | Accuracy and quality of performance data is a key requirement within any performance system if poor decisions are not to be made.

We are currently reviewing the performance indicator/ measures requirements of the Council and will include this requirement for suitable validation and data quality assurance checks within our performance management system review. | 30/9/2014 | Data provided by CPBS and other third parties is not currently validated by the Corporate Improvement & Performance Team, largely due to resource and capacity issues. The CIP Team is currently undergoing a review and restructure, due to conclude in Q4, following which additional capacity will be in place. The team is also currently working on refreshing the Data Quality Strategy, which will include commitments to routine sampling of data provided, which the additional resources will conduct as part of their roles | 31/3/2015 | Jo Russell |

10	SHDC_HR strategy & policies 2013/14	Medium	There are no corporate performance indicator to monitor the completion rate of the Performance Development Reviews.	4.1	It was agreed that the introduction of a performance indicator would help encourage managers to undertake PDR's with their staff in line with the PDR policy. Thereby enabling prompt identification of the training requirement for the year and production of a timely training plan. The HR manager will approach the Performance Team and Senior Management to discuss the inclusion of an indicator as part of the performance indicator review that is currently taking place.	30/9/2014		30/4/2015	Ruth Hassall - HR Manager

11	SHDC_HRA Business Plan	High	In March 2012, officers proposed revised governance arrangements for the HRA Business Plan that would address the 'risk to the sustainability of the plan' that current arrangements were considered to present. Whilst agreement to implement the proposal to form a specific HRA group or panel to oversee the plan was documented in Full Council minutes of 7 March 2012, the group was not set up. Management have now clarified scrutiny arrangements within a paper to Full Council (24th October 2012) and this element of governance will added to the responsibilities of the Governance and Audit Committee.	1.1	We will consult with management team and Portfolio Holders to identify ways to implement this recommendation.	31/3/2013	Sept 14: A specialist consultant has been appoointed to advise on suitable governance arrangements for the HRA. This work commenced in June 2014 and some preliminary work was undertaken. Following further discussion with management team means that the scope of this work is being broadened. Further discussion with the consultant has been arranged and we anticipate receiving their recommendations by the end of the calendar year.	31/12/2014	Duncan Hall, Housing Manager

			The committee will not provide the regular, more detailed monitoring and review of the plan that was the role originally set out for a dedicated HRA group, including: § review of detailed budgetary control reports § ongoing management of risks § political input to the plan on service and council's priorities engagement with Tenants to consider their views and priorities (tenants were to be members of the group).					

12	SHDC_ICT Disaster Recovery 2012/13	High	Details of critical systems have not been reviewed at ELDC since CPBS was created and do not exist at SHDC.	2.1	CPBS Business Continuity Team will establish recovery priorities and determine timescales and will meet with the client Business Continuity Groups.	31/3/201 3	Aug 14: Not implemented; Business Continuity Audit report for SHDC also just finalised in August 14. Reviewing DR as part of current ICT internal audit.	Overdue 31/3/2014	Rob Barlow, ELDC Section 151 Officer and SHDC ICT Manager (S Linsley)
13	SHDC_ICT Infrastructure	Medium	Whilst individual ICT strategies exist there is no single ICT strategy document reflecting the needs of ELDC, SHDC and CPBS.	1.1	CPBS shall produce an overarching ICT strategy. The two Council's will need to develop their own policies that reflect their Corporate policies, to which CPBS's policy will respond.	31/3/201 3	Strategy audit is part of current ICT internal audit 2014/15		Rob Barlow, ELDC Section 151 Officer and SHDC ICT Manager
14	SHDC_ICT Infrastructure	Medium	There is a reference to event logging in the 'Communications and Operations management' procedure, however a more detailed policy is required. We were advised that a discussion paper on application administration is being prepared for CPBS MT.	8.1	This has been incorporated into CPBS procedures firstly for CPBS managed systems and secondly for Client systems. CPBS ELDC SHDC	30/9/201 3	Sep 14: This is currently on the project list for implementation and will be complete by the time SHDC COCO is resubmitted this Sept. New target date Oct 14	Overdue 31/10/2014	S Burns, M Payne

15	SHDC_ICT Infrastructure	Medium	The backup policy for servers and applications is not currently captured and recorded via the service desk (Hornbill).	10.1	Records will be added to Hornbill system.	30/4/2013	Sep 14: We are also exploring opportunities to rationalise the back-up solution. Target date extended to Oct 14	28/2/2015	M Hall
16	SHDC_ICT Infrastructure	Medium	No firewall policies exist.	12.1	All changes are agreed but it is acknowledged that it is not formally documented. This will be incorporated into the change control review identified in 6 above.	30/4/2013	Sep 14: GS Update policies are being compiled to reflect new walled garden approach to be installed later this year.	Overdue 31/10/2014	G Stephens, S Burns
17	SHDC_ICT Infrastructure	Medium	There is no security training plan covering staff at CPBS, SHDC and ELDC.	13.1	We will engage with the clients on their training requirements and provide training materials. CPBS will add to its training programme for CPBS Staff.	31/12/2013	Sept 14; target date extended to Nov 14	30/11/2014	Tony Lascelles, CPBS Head of HR

| 18 | SHDC_ICT Infrastructure | Medium | For ELDC there is no intrusion prevention system. For SHDC a LAN guardian product has been deployed, however it is questionable as to how much usage is made of it. | 15.1 | Will install a system for ELDC if approval given for the expenditure. | 30/6/2013 | Sep 14: GS 9-6 Remediations are now complete for all entities we are introducing a walled garden approach to the network that will allow a more flexible approach. As part of this implementation later this year it may not be a requirement for IDS at ELDC.   New target date 30/11/2014. | 30/11/2014 | S Burns |
| 19 | SHDC_ICT Infrastructure | Medium | There are three Windows domains covering SHDC, ELDC and CPBS and a concern was raised with regard to the stability of the SHDC Windows domain. | 21.1 | The process of replacing the SHDC domain has commenced. Migrating to active Directory. | 31/12/2013 | | 28/2/2015 | G Stephens, S Burns |

| 20 | SHDC_Procurement 2013/14 | High | Our review of top suppliers by payment value found that in four out of the ten we sampled there were no tendering arrangements/contracts in place.

Where this is the case, procurement arrangements have not followed contract regulations, with the risk that the Council cannot demonstrate transparency and fairness in supplier selection or that value for money has been achieved.

We note that Procurement Lincolnshire and SHDC are currently undertaking reviews which should address some of the contracts in our sample. | 1.1 | A strategic commissioning group has been established across Breckland and SHDC. As part of this, Procurement Lincolnshire have been asked to undertake a headline category spend analysis and provide recommendations on procurement options against items which can be easily and quickly procured. | 31/3/2014 | Contract review exercise is underway by Procurement Lincolnshire on behalf of SHDC and other Lincolnshire Councils. This includes analysis of any gaps between spend data and the contract register, identification of collaborative opportunities and production of an action plan to address any issues identified. The review is expected to conclude by end of Q3 (December 2014). Following this, a new post of 'Client-Side Contract Officer' will be in post in early 2015 to take forward any necessary action | 3/12/2014 | Jo Russell |
|---|---|---|---|---|---|---|---|---|---|

| 21 | SHDC_SHDC Information Governance 13/14 | High | Our discussions with a sample of council staff identified that 3 out of 9 had not received training on data protection, and 1 out of 9 had not received training on FOI.

The staff interviewed all stated that they were confident that they understand requirements without training. However, 5 out of 9 interviewed stated that they were uncertain about or didn't know the statutory time limits for responding to a subject data access request.

Training is a fundamental control to ensure staff have sufficient understanding of their responsibilities for data protection and FOI.

There are no regular reminders to raise awareness of data protection and FOI. | 3.1 | This will be looked into while we update the policies. We will examine possible E-Learning programmes to enable all staff to gain a better understanding of DP and FOI, and provide refresher training to those staff that have already had formal training.

We will also look at providing support to managers to enable them to discuss this at team meetings and will send out emails to all staff on a quarterly basis to remind them of the process and provide links to the policies. | 1/6/2014 | In progress | 31/1/2015 | Louisa Clare, Member Services Officer |
|---|---|---|---|---|---|---|---|---|---|

| 22 | SHDC_SHDC Information Governance 13/14 | High | The document retention policy is dated 2005 and there is no evidence that it has been reviewed since this date.

In the 8 years since the policy was created the documents produced by service areas are likely to have changed and some services are now run by CPBS.

In the absence of an up to date and comprehensive policy, there is a risk that information is not retained for an appropriate period of time. | 15.1 | This will be checked and updated. Due to the links with Compass Point, we will co-ordinate with Karen Rippen from CPBS to complete the recommendations. | 1/8/2014 | In progress | 31/1/2015 | Louisa Clare, Member Services Officer |

| 23 | SHDC_SHDC Information Governance 13/14 | Medium | The majority of officers we interviewed did not know who was responsible for checking compliance with document retention periods in their department or when / if checks are completed.

If responsibility is not clear, information may not be retained for the correct period of time and the council may face criticism when it has to respond to subject access or FOI requests. | 16.1 | We will update our policies and ensure that each team has a nominated champion. We will confirm that these members of staff understand their roles and this will be refreshed through the use of reminder emails. | 1/8/2014 | In progress | 1/1/2015 | Louisa Clare, Member Services Officer |

| 24 | SHDC_Welfare Reform 2013/14 | Medium | Performance and Improvement Agents carry out quality checks on a sample of

claims on a daily basis. On a 4 weekly basis a full report is run of all claims and

a random sample of 42 claims are reviewed in detail.

As the samples are randomly selected across Housing Benefits and Council

Tax support there is no guarantee that a relative number of Council Tax Support

claims will be picked up.

It is important that a clear number of CTS claims are reviewed regularly to

provide assurance that the correct reductions are being applied. | 3.1 | Agreed - a sample of CTS claims will be checked quarterly. | 30/6/2014 | 12/9/2014 - MH - Update needed from AH - Team leader for the QA team 22/9/2014 MH spoke with AH. QA team are currently doing 100% checks on all bens assessors and this will include CTS cases. Eexercise to be completed by 31 10 2014 when a return to normal sample of 10% per person . End date amended to 31 10 2014 to reflect the above position when an overview can be provided if needed 21/10/14 100% are nearing completion. The majority of cases that are checked are CTS claims already. MH & SL are working through a strategy for ongoing cases moving forward and are hoping to have this signed off by mid November detailing the % of checks that will become part of QA in respect of all cases | 31/10/2014 | Operations Support Team Leader. |
|---|---|---|---|---|---|---|---|---|---|

25	ELDC & SHDC Accounts Payable	Medium	Authorised signatories		Authorised Signatory lists will be uploaded to the Council portals - allowing budget managers to review permissions and complete a signed form for additions/removals. Ops Support will sample check updates to the list to ensure it matches the forms. An alert system is currently being designed within he system to flag to staff of any updates/changes made tot he list	31/10/20 14	2/9/2014 MH Update to be received from AH team leader for this area 22/9/2014 MH spoke to AH and she will provide update by month end 25/9/2014 - ARH now met with D.Bailey, M.Fitzgerad and S.Wallace to discuss my ideas in principal and all agree. Next stage is to meet with MF again to get this put into place from an IT perspective and also communications to be sent to S151 Officers at ELDC & SHDC because although Audit report for ELDC will bring both in line at th same time. Still hoping for this to be in place for 31/10/14	No given	Team Leader Operation s Support

End of Appendix 4

Appendix 5 Internal Audit Plan and Schedule 2014/15

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Critical Service Activities						
Chief Executive						
Risk Management	10	Risk Management Audit will review the effectiveness of risk management arrangements and also assess relevance of strategic risks. *Replaces Key Officer Groups audit due to management changes in this area.*	December 14			Scope under discussion December 14
Executive Director						
Housing Revenue Account	10	Follow up to previous audit	December 14			
CSU	15	Operational delivery assurance; includes gas servicing review.	January 15			Focus switch to operational delivery following discussion with management.

Area	Days		Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Sub total	**35**						
Due Diligence							
Finance Systems • Cash receipting (CR) • Budget preparation (BP) / Medium Term Financial Plan (MTFP) • Payroll (P)	CR-09 BP/MTFP -04 16		To ensure the Council's financial control environment is robust and operating effectively. Areas selected from risk assessment, last audit, changes, External Audit liaison and assurance map. *The MTFP audit will now include work on savings targets which was previously a separate audit*	<u>CR</u> August 14 <u>BP / MTFP</u> December 14 <u>P</u> December 14	Sept 14		This will be delivered in conjunction with ELDC internal audit. <u>SHDC auditors</u> Payroll Cash Receipting *(CR-Draft report stage)* <u>ELDC auditors</u> BP/MTFP Cash Receipting
Key Control Testing of Financial systems	14		To undertake testing on key controls within finance systems for Head of Audit assurance	January 15			This will be delivered in conjunction with ELDC internal audit. <u>SHDC</u> Creditors/Property/ Housing benefits

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
						ELDC Debtors, Council Tax, NNDR, Bank Reconciliation
Health & Safety	8	To ensure that the Council has effective health and safety arrangements in place that comply with relevant legislation and regulations	October 14	October 14		End of fieldwork stage
Recruitment & Retention	9	To review how the Council is addressing risks identified around staff recruitment and retention staff	May 14	May 2014	25 July 14	Final report issued
Insurance	6	To ensure that the Council has effective arrangements in place to manage its insurable risks	October 14	October 14		Draft report stage Delivered by ELDC auditors
CPBS	10	Undertake a review of the governance, risk and internal control regime of the Company	August 14	August 14		End of fieldwork stage

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Contract Management	10	To provide assurance that key contracts are managed effectively and monitored to confirm they are delivering as agreed	January 15			
Partnerships / Collaborative working	10	Assurance on the effectiveness of the Council's partnership / collaborative working arrangements and how collaborative working supports delivery of the Council's priorities and tackling the 'big issues' facing the Council. Transformation programme – actions following the peer review	December14 / January 15			Waiting for interim management report on partnership working before commencement

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Information Governance	5	Follow up review to confirm management actions from 2013/14 audit have been implemented and review effectiveness of data security arrangements	October 14	October 14		End of fieldwork Audit completed by ELDC auditors
Sub Total	**101**					
Benefits Subsidy claim	25	Testing to support the external audit of the subsidy claim	June-August 14	June 14	November 14* *Completion of workbooks.*	Completed
Sub Total	**25**					
Strategic Risk	**0**					
Sub Total	**0**					
Emerging Risks						
Emerging risk contingency	24	To audit any significant emerging risks arising in the year. Housing in Multiple Occupation HMO Audit (10 days)	October 14	November 14		Fieldwork underway

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Sub Total	**24**					
Other relevant Areas						
Combined Assurance	0	Co-ordinating and updating assurances on the Council's assurance map with service managers.	October /November 2014			This will be deferred for 14/15; risk management work will take place instead
Sub Total	**0**					
ICT Audit.						
ICT Audit • Mobile Devices • IT security	20 *(plus East Lindsey allocation)*	IT security Mobile devices Strategy ICT Programme/projects Software DR follow up	September 14	December 14		Field work in progress. Working in conjunction with ELDC internal audit on certain aspects. Scope agreed.
Sub Total	**20**					
Non-Audit						
Advice / liaison	6					

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Annual Report	1					
Audit Committee	6					
Sub Total	**13**					
Total Audit Plan for 2014/15	**218**					