

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** The Audit & Risk Manager (Audit Lincolnshire) and the Shared Manager Finance (SHDC)

**To:** Governance & Audit Committee – 10 March 2015

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

**Subject:** Internal Audit Update Report

**Purpose:** To update the Committee on progress with the Audit Plan November 2014 to January 2015

### **Recommendation:**

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

### **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.

### **Key Messages**

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

- |  |                           |
|--|---------------------------|
| • 4 Audits complete                          | 23% of jobs (includes HB) |
| • 0 Audits at the scoping/client brief stage | 0% of jobs                |
| • 8 Audits at fieldwork stage                | 47% of jobs               |
| • 5 Audits at draft report stage             | 30% of jobs               |

17 projects

Actual progress is less than expected however the majority of audits were planned towards the latter half of the year. Some audits have taken longer than expected to commence.

1.3 We have issued three final reports since the last Committee. Five reports are at draft report stage.

**Internal Audit work completed from November 2014 to January 2015**

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

| Effective | Some improvement needed      | Major improvement needed | Inadequate |
|-----------|------------------------------|--------------------------|------------|
|           | Insurance<br>Cash receipting | Information Governance   |            |

*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.*

1.5 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). Members received an update on Business Continuity at the last Governance and Audit Committee meeting. A new Risk and Audit Board is being established; part of this groups remit will be to examine outstanding recommendations in more detail with Managers.

With respect to Appendix 3 below the Governance and Audit Committee should note:

- IT Disaster recovery audit follow up underway
- ICT Infrastructure audit follow up underway
- Business Continuity progress was reported to Governance and Audit Committee at the previous meeting.
- Risk Management report is being considered by officers and the Risk and Audit Board in February 15
- Information Governance Follow report has just been issued
- HRA Business Plan audit follow up is nearing completion

1.6 In the audits given “Some improvement needed” or “Effective” Assurance, we confirmed that the Council has sound processes in place as follows:

**Cash Receipting**

We found that income collection at SHDC is working well. Staff are experienced and aware of their roles and responsibilities. There are weekly management checks and the Team Leader also meets with the Senior Cashier weekly to discuss any issues and review staffing arrangements. We were able to trace income from cash receipting records to accounts e.g. Council tax, business rates, sundry debtors.

We did find one area which could be strengthened relating to the Payment Office and this is being addressed.

## **Insurance**

Through our testing, observations and discussions with officers, we have confirmed that overall processes are well controlled at both Authorities. In particular:

- Clear and up to date work instructions are in place
- Regular reconciliation of payments to ledger
- Claims were processed promptly and accurately and records of correspondence maintained
- Incidents are reported promptly and to the appropriate department
- Insurance policies provide adequate cover for Council assets

We found a couple of areas for improvement as follows:

Market testing should be undertaken for the provision of Insurance Officer (ELDC).

At East Lindsey monitoring of invoices should be strengthened to enable individual departments to review charges. This will reduce the risk of incorrect payments.

## **Audits in Progress**

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1.7 The following 2014/15 audits are currently in progress:

### **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.

### **Risk Management**

This work aims to provide support to Management in reviewing and improving risk management arrangements in the Council.

### **Housing Voids**

This work will review all aspects of housing voids management, covering all relevant housing teams involved in re-letting Council housing.

### **Gas safety management**

This review is reviewing gas safety management arrangements in the housing and non-housing areas of the Council.

## **Budget preparation/MTFP**

Examines the Council's budget preparation and Medium Term Financial Management processes to ensure the Council's financial control environment is robust and operating effectively.

## **Payroll**

This is a Payroll systems audit covering key aspects of the payroll service.

## **Key control work**

This covers a range of key financial systems, examining key controls and forms part of our three year financial due diligence internal audit programme.

## **Partnerships**

This review examines governance, monitoring and risk management arrangements taking account of the Council's recent partnership evaluation work.

### **Audits at Draft Report Stage:**

- Housing Revenue Account
- Housing in Multiple Occupation
- CPBS Governance
- ICT Mobile working
- Health and Safety

## **Performance Information**

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1.8 Our current performance against targets is shown below:

| Performance Indicator  | Target                 | Actual @ February 2015                       |
|--|------------------------|--|
| Percentage of 14/15 plan completed.<br><br>Number of Audit Jobs: 17<br>Completed: 4<br><br>*Time spent | 100%<br>(revised plan) | 74%*<br><br>(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      | 50%  |

| Performance Indicator              | Target  | Actual @ February 2015 |
|------------------------------------|---|------------------------|
| Timescales                         | Draft report issued within 10 working days of completing audit. (target 100%)                                 | 62.5%                  |
|                                    | Final report issued within 5 working days of closure meeting / receipt of management responses. (target 100%) | 75%                    |
|                                    | Audit completed to draft report stage within two months of starting fieldwork (target 80%)                    | 50%                    |
| Client Feedback on Audit (average) | Good to excellent   | 100%                   |

## 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

4.1 To meet the Audit Committee's terms of reference in monitoring the work of Internal Audit.

## 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

## 7.0 **ACRONYMS**

7.1 IT Information Technology  
ICT Information Communication Technology  
HRA Housing Revenue Account  
SHDC South Holland District Council  
ELDC East Lindsey District Council  
HB Housing Benefit  
MTFP Medium Term Financial Plan  
CPBS Compass Point Business Services

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Background papers:- None

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### **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 – Shared Manager Finance

**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

Appendix 4 – Outstanding Recommendations (detail)

Appendix 5 – Internal Audit Plan & Schedule

## Appendix 1 - Assurance Definitions

### Appendix 1 - Assurance Definitions<sup>1</sup>

|                          |   |
|--------------------------|---|
| Effective                | <p>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.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>  |
| Some improvement needed  | <p>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.</p> <p>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.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>  |
| Major improvement needed | <p>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.</p> <p>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.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul> |
| Inadequate               | <p>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.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> </ul>  |

<sup>1</sup> 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.



- 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.

## **Appendix 2 – Audits where assurance is assessed as ‘Major improvement needed’ or ‘Inadequate’**

### **Information Governance**

A follow-up of the previous Information Governance audit has been performed. The original report was issued in January 2014 with actions agreed by the Assistant Director, Democratic Services. Testing was undertaken in order to assess action taken in respect of the recommendations made in the final report

The original assurance on this audit was “Limited” Assurance; whilst good progress has been made in several areas there are still some key areas to implement, including training and currently the assurance rating remains the same. Revised timescales for implementation indicate that the assurance rating will be improved by the end of the financial year.

| Recommendation | Made | Implemented | Outstanding |
|----------------|------|-------------|-------------|
| table Priority |      |             |             |
| High           | 5    | 2           | 3           |
| Medium         | 10   | 8           | 2           |

Key recommendations still requiring completion:

- Ensuring that (new starter) induction material includes basic awareness of data protection and FOI
- Ensuring staff receive appropriate training on data protection and FOI ( includes a new training package under development)
- Ensuring the FOI log is brought fully up to date
- Management monitoring of FOI/EIR performance
- Updating the document retention policy and ensuring service managers have a clear role in its application
- Ensuring that there is a review of records held
- Further actions to consider

The follow up review identified some further areas for management to consider; these were advisory points

END OF APPENDIX 2

### Appendix 3 - Outstanding recommendations as at February 2015

| 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             | 20       |             |   |   |                          |
| Business Continuity       | May 14     | Limited             | 9              | 6        | 1           | 2 |   |                          |
| Counter Fraud             | July 2012  | Substantial         | 5              | 4        |             | 1 |   |                          |
| HR strategy and policies  | April 2014 | Substantial         | 4              | 1        |             | 3 |   |                          |
| 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             | 14       | 2           | 1 |   |                          |
| Welfare reform            | Feb 2014   | Substantial         | 5              | 5        |             |   |   |                          |
| Accounts payable          | Sept 2014  | Substantial         | 4              | 2        |             | 2 |   |                          |
| Recruitment and Selection | July 2014  | Substantial         | 6              | 3        |             |   |   | 3                        |
| Income Collection         | Dec 2014   | Effective           | 2              |          |             | 1 |   | 1                        |

#### Notes

- IT Disaster recovery audit follow up underway
- ICT Infrastructure audit follow up underway
- Business Continuity progress was reported to Governance and Audit Committee at the previous meeting.
- Risk Management report is being considered by officers and the Risk and Audit Board in February 15
- Information Governance Follow report has just been issued
- HRA Business Plan audit follow up is near completion

**END OF APPENDIX 3**

## APPENDIX 4

### Outstanding Recommendations as at February 2015 (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   | <p>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.</p> <p>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.</p> | 4.1 | <p>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.</p> <p>If a solution is not forthcoming, this will be escalated by Steve Udberg.</p> | 1/10/2013            | <p>Sept 14 Still reported as not implemented - revised date 31/12/14</p> <p>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.</p> | 31/12/2014                  | David Bailey<br>CPBS |

|   |                                  |        |  |      |  |          |   |                      |  |
|---|----------------------------------|--------|--|------|--|----------|---|----------------------|--|
| 2 | 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 | Feb 15 – no update<br><br>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.<br><br>01/08/2014 for implementation, training rolled out from this date | 1/12/2014            | Riana Rudland, Community Development Manager |
| 3 | 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.<br><br>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 | Feb 15 –<br><br>Key areas completed<br><br>Also awaiting engagement/links with IT Disaster Recovery Plan  | Date to be confirmed | Riana Rudland, Community Development Manager |

|   |  |        |  |       |  |           |  |                              |   |
|---|--|--------|--|-------|--|-----------|--|------------------------------|---|
| 4 | 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  | Feb 15 – no update<br><br>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              |
| 5 | 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 | Feb 15<br><br>Draft Policy is being considered- may be taken through relevant Portfolio holder for approval  | By 31/3/15<br><br>30/11/2014 | Sharon Hammond & Andy Eaman (CPBS)<br><br>Mark Finch SHDC |

|   |                                     |        |  |     |   |           |   |           |            |
|---|-------------------------------------|--------|--|-----|---|-----------|---|-----------|------------|
| 6 | 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 | <p>Accuracy and quality of performance data is a key requirement within any performance system if poor decisions are not to be made.</p> <p>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.</p> | 30/9/2014 | <p>Feb 15 – no further update</p> <p>Data provided by CPBS and other third parties is not currently validated by the Corporate Improvement &amp; 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</p> | 31/3/2015 | Jo Russell |
|---|-------------------------------------|--------|--|-----|---|-----------|---|-----------|------------|

|   |                                     |        |   |     |  |           |  |           |                           |
|---|-------------------------------------|--------|---|-----|--|-----------|--|-----------|---------------------------|
| 7 | 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 | <p>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.</p> <p>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.</p> | 30/9/2014 | Feb 15 – no further5 update  | 30/4/2015 | Ruth Hassall - HR Manager |
| 8 | SHDC_HR strategy & policies 2013/14 | Medium | <p>Officers who took part in the review were unable to find an approved Service Level Agreement covering the provision of a Human Resources function.</p> <p>Officers did provide a draft document.</p> | 2.1 | <p>The HR manager agreed with the finding explaining that she had recently been considering an update to the SLA.</p> <p>The HR manager will instigate a meeting with CPBS to review the current SLA in preparation for taking to Senior Management for formal approval</p>  | 1/9/2014  | <p>Feb 15 update</p> <p>Draft revised HR SLA is in development with CPBS and the Council</p> |           | Ruth Hassall - HR Manager |



|    |                                     |        |   |     |   |           |   |            |                              |
|----|-------------------------------------|--------|---|-----|---|-----------|---|------------|------------------------------|
| 9  | SHDC_HR strategy & policies 2013/14 | Medium | <p>Review of the Workforce Strategy document identified that it had not been reviewed since it was introduced in 2009.</p> <p>Additionally review of a number of the HR policies identified that they had also not been reviewed for a number of years. For example;</p> <p>Performance Management Policy September 2009</p> <p>Long &amp; Short Term Sickness policies March 2010.</p>               | 1.1 | <p>The HR Manager explained that following comments made by the Shared Management Team with regards to some issues they have in working to the different HR policies in place at both Council's, consideration is being given to introducing where applicable single policies covering both Councils.</p> <p>Once agreement is reached on this approach a programme of policy reviews will be instigated.</p> |           | <p>Feb 15 update</p> <p>No further details</p>  |            | Ruth Hassall - HR Manager    |
| 10 | SHDC_HRA Business Plan              | High   | <p>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.</p> <p>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</p> | 1.1 | <p>We will consult with management team and Portfolio Holders to identify ways to implement this recommendation.</p>  | 31/3/2013 | <p>Feb 15 update</p> <p>A report has been prepared which makes recommendations for governance arrangements for the HRA. This has been scheduled to be considered by CMT in February 2015</p> <p><i>NB current HRA follow up internal audit nearing completion</i></p> | 31/12/2014 | Duncan Hall, Housing Manager |

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.

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).

|    |                                    |        |  |     |  |           |   |                                    |   |
|----|------------------------------------|--------|--|-----|--|-----------|---|------------------------------------|---|
| 11 | 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.  | 31/3/2013 | Feb 15 – no update<br><br>Reviewing DR as part of current ICT internal audit.   | Overdue<br>31/3/2014               | Rob Barlow, ELDC Section 151 Officer and SHDC ICT Manager (S Linsley) |
| 12 | 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.<br><br>The two Council's will need to develop their own policies that reflect their Corporate policies, to which CPBS's policy will respond. | 31/3/2013 | Feb 15 – no update<br><br>Strategy audit is part of current ICT internal audit 2014/15  |                                    | Rob Barlow, ELDC Section 151 Officer and SHDC ICT Manager             |
| 13 | 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.<br><br>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.<br><br>CPBS<br>ELDC<br>SHDC  | 30/9/2013 | Feb 15<br><br>Update from GS 02/11/14. This has been re-prioritised based on other workloads to be completed for next coco submission that is now calendared for 04/2015. | 30/4/2015<br><br>Was<br>31/10/2014 | S Burns, M Payne  |

|    |                         |        |  |      |   |            |  |                                 |                                       |
|----|-------------------------|--------|--|------|---|------------|--|---------------------------------|---------------------------------------|
| 14 | 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  | Feb 15 – no update<br><br>Sep 14: We are also exploring opportunities to rationalise the back-up solution. Target date extended to Oct 14  | 28/2/2015                       | M Hall                                |
| 15 | 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  | Feb 15 update<br><br>Update from GS 02/11/14. This has been re-prioritised based on other workloads to be completed for next coco submission that is now calendared for 04/2015.<br><br>Sep 14: GS Update policies are being compiled to reflect new walled garden approach to be installed later this year. | 30/4/2015<br><br>Was 31/10/2014 | G Stephens,<br>S Burns                |
| 16 | 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 | Feb 15 – no further update<br><br>Sept 14; target date extended to Nov 14  | 30/11/2014                      | Tony Lascelles,<br>CPBS<br>Head of HR |

|    |                         |        |   |      |  |            |  |                             |                        |
|----|-------------------------|--------|---|------|--|------------|--|-----------------------------|------------------------|
| 17 | 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  | Feb 15 update<br><br>GS 27-11. As we now move into a further change to the COCO it appears this may not be necessary. As we prepare for the next submissions due in 2015 we will take guidance from the assessors and either introduce in time for the 2015 submission or close as not required.   | 30/4/2015<br><br>30/11/2014 | S Burns                |
| 18 | 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 | Feb 15 update<br>The SHDC domain will be upgraded as we continue the Citrix rollout. UAT is now underway and we expect to continue on track.<br>Update from GS 5/1/14 There has been no substantive failures of any of the domains we manage since this was opened. The upgrades of the AD structure continue on course and so am closing this action. This was also confirmed with auditors Dec 2014. | 28/2/2015                   | G Stephens,<br>S Burns |

|    |                             |      |  |     |  |           |  |          |            |
|----|-----------------------------|------|--|-----|--|-----------|--|----------|------------|
| 19 | SHDC_Procurement<br>2013/14 | High | <p>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.</p> <p>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.</p> <p>We note that Procurement Lincolnshire and SHDC are currently undertaking reviews which should address some of the contracts in our sample.</p> | 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 | <p>Feb 15 update Contract review exercise is underway by Procurement Lincolnshire on behalf of SHDC and other Lincolnshire Councils. Output of review has been provided and is due to be taken forward between Procurement Lincs and the new post of 'Client-Side Contract Officer', which is currently out to recruitment. 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</p> | 30/09/15 | Jo Russell |
|----|-----------------------------|------|--|-----|--|-----------|--|----------|------------|

|    |  |      |   |     |   |          |  |                 |   |
|----|--|------|---|-----|---|----------|--|-----------------|---|
| 20 | SHDC_SHD<br>C Information<br>Governance<br>13/14 | High | <p>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.</p> <p>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.</p> <p>Training is a fundamental control to ensure staff have sufficient understanding of their responsibilities for data protection and FOI.</p> <p>There are no regular reminders to raise awareness of data protection and FOI.</p> | 3.1 | <p>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.</p> <p>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.</p> | 1/6/2014 | <p>In progress</p> <p>Training package in development.</p> <p>There will be visits to Team meetings to discuss FOI and DPA to raise awareness in the meantime.</p> <p>Temporary loss of resource has caused some delay in implementation</p> | 30 Sept<br>2015 | Louisa<br>Clare,<br>Member<br>Services<br>Officer |
|----|--|------|---|-----|---|----------|--|-----------------|---|

|    |  |      |  |      |   |          |                           |          |  |
|----|--|------|--|------|---|----------|---------------------------|----------|--|
| 21 | SHDC_SHD<br>C Information<br>Governance<br>13/14 | High | <p>The document retention policy is dated 2005 and there is no evidence that it has been reviewed since this date.</p> <p>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.</p> <p>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.</p> | 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 | Feb 15<br><br>In progress | 30/09/15 | Louisa Clare,<br>Member<br>Services<br>Officer |
|----|--|------|--|------|---|----------|---------------------------|----------|--|



|    |  |        |   |      |   |          |                                  |          |   |
|----|--|--------|---|------|---|----------|----------------------------------|----------|---|
| 22 | SHDC_SHD<br>C Information<br>Governance<br>13/14 | Medium | <p>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.</p> <p>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.</p> | 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 | Feb 15 update<br><br>In progress | 1/1/2015 | Louisa Clare,<br>Member<br>Services<br>Offcer |
|----|--|--------|---|------|---|----------|----------------------------------|----------|---|

|    |                              |        |   |      |   |            |   |         |                                |
|----|------------------------------|--------|---|------|---|------------|---|---------|--------------------------------|
| 23 | 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 the system to flag to staff of any updates/changes made to the list | 31/10/2014 | 25/01/15 - Now MV in place I am looking to move this forward now and will be looking to add to the IT projects for completion | 31/3/15 | Team Leader Operations Support |
| 24 | ELDC & SHDC Accounts Payable | Medium | Separation of Duties<br>The key registers for the Payment Office door keys and the Payment Office safe are not up to date. They do not reflect who currently holds the keys - one safe key has been transferred between Team Leaders but this has not been evidenced. A Payment | 1.22 | Will be updated during the next review of the Council's Constitution  | 31/12/2014 |   |         | Mark Finch                     |
| 25 | Income Collection 2014/15    | Medium |   | 1.1  | The key registers will be updated to reflect those staff who currently hold keys and staff will be asked to re-sign for the keys they hold.   | 31/1/2015  | Implemented   |         | Melissa Lawton-Team Leader     |

|    |                 |        |   |   |           |  |  |
|----|-----------------|--------|---|---|-----------|--|--|
|    |                 |        | <p>Office door key held by the Customer Services Team Leaders has not been signed out in the key register.</p> <p>It is important to make sure than all key holders are recorded and have signed to confirm their responsibility in case any queries arise.</p>   |   |           |  |  |
| 26 | Payroll         |        | <p>Payroll recommendations have been superseded – interim work completed in 13/14 and further work completed in February March 2015</p> <p>Wait for the outcome of this work.</p>   |   |           |  |  |
| 27 | Risk Management | Medium | <p>The Risk Policy refers to Risk Appetite and places responsibility for identifying the Risk Appetite with CMT. We could not identify that assessment of Risk Appetite has been undertaken and the Policy and Process Guides do not explain what Risk Appetite is.</p> <p>Without a clear assessment of the Risk</p> | <p>This will be addressed as part of the review of the risk management processes. We will put in place a tolerance level for the strategic risks. Following this we will then expand this towards specific services and may even look at including projects in the long term.</p> | 1/12/2014 |  |  |

|    |                 |        |  |   |           |   |            |
|----|-----------------|--------|--|---|-----------|---|------------|
|    |                 |        | Appetite and some guidance, there is no clear direction on what level of risk Senior Management wish the organisation to take.   |   |           |   |            |
| 28 | Risk Management | Medium | The Strategic Risk Register lacks clarity with how each risk links to the Corporate Objectives.  | We will add "impact on the Corporate objectives" within the Impact/Severity table that (together with the likelihood) scores the risk and not as an additional column in the actual register. | 1/12/2014 | To be discussed with officers and at Risk and Audit Board | 30/09/2015 |
| 29 | Risk Management | Medium | <p>The Strategic Risk Register and Operational Risk Registers include a column headed 'mitigating actions (what will be done if this occurs).</p> <p>A large number of risks on the operational risk register and all but one of the risks on the strategic risk register do not have anything recorded in their "mitigating actions" column. Where these are recorded they actually reflect actions that would add to current controls rather than what would be done if a risk was realised.</p> | Agreed. This will be looked at and updated as part of the Risk Review process.  | 1/12/2014 | As above  |            |

|    |                 |        |   |   |           |          |  |  |
|----|-----------------|--------|---|---|-----------|----------|--|--|
|    |                 |        | It is not clear how officers are expected to use this column to help them address the risks identified.   |   |           |          |  |  |
| 30 | Risk Management | Medium | <p>Senior members of staff within the Risk team have left the Authority in recent weeks. A review of performance &amp; risk for both SHDC and Breckland is planned in the next few months.</p> <p>With the loss of two staff, the team may not have the experience or capacity to provide an effective risk management service to the district.</p>   | <p>Dale Robinson has been put into place to manage this process as an interim solution.</p> <p>A permanent solution will be sought as part of the Business support services Review and this will be formally agreed by CMT.</p> | 1/12/2014 | As above |  |  |
| 31 | Risk Management | Medium | <p>Two recommendations from the last audit review in 2012 have not yet been actioned. These are:</p> <ul style="list-style-type: none"> <li>* Plan in place to embed the Risk Management Policy across the Authority</li> <li>* Training Plan written to provide Risk Management training to members and staff.</li> </ul> <p>An approach to risk</p> | <p>Agreed. These two findings will be actioned as part of the review of the risk management processes.</p>  | 1/12/2014 | As above |  |  |

|    |                 |        |  |  |  |           |          |  |  |
|----|-----------------|--------|--|--|--|-----------|----------|--|--|
|    |                 |        | <p>training had been agreed but we understand that this has been put on hold and will be considered as part of the service review of performance and risk at SHDC and Breckland.</p> <p>Training helps to ensure that staff are identifying the right risks, opportunities and mitigating controls in their service areas to effectively manage the Council's key risks.</p> |  |  |           |          |  |  |
| 32 | Risk Management | Medium | <p>With the six month changeover to the new Performance Management system, the Programme Board has not met recently. The Board oversees the different elements of performance management, including risk.</p> <p>This is a key part of the authority's governance over these arrangements to undertake more detailed scrutiny and hold managers to account.</p>              |  | <p>The Programme Board in its previous iteration has now gone. The review of the risk management processes will examine the level of accountability and governance arrangements that will be expected by SHDC and decide on the new arrangements. In the interim, this information will still be reported to the Audit Committee to ensure that member scrutiny is in place.</p> | 1/12/2014 | As above |  |  |

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                                  |
|------------------------------------|------|---|--------------------|-------------------|---------------------|---|
| <b>Critical Service Activities</b> |      |   |                    |                   |                     |   |
| <b>Chief Executive</b>             |      |   |                    |                   |                     |   |
| Risk Management                    | 10   | Risk Management Audit will review the effectiveness of risk management arrangements and also assess relevance of strategic risks.<br><br><i>Replaces Key Officer Groups audit due to management changes in this area.</i> | December 14        | January 15        |                     | Scope under discussion<br>December 14                           |
|                                    |      |   |                    |                   |                     |   |
| <b>Executive Director</b>          |      |   |                    |                   |                     |   |
| Housing Revenue Account            | 10   | Follow up to previous audit   | December 14        | January 15        |                     | Draft report Feb 15   |
| CSU                                | 15   | Operational delivery assurance; includes gas servicing review.  | January 15         | January 15        |                     | Void management<br><br>Gas servicing (Housing and non-housing). |

| Area   | Days                           | Indicative Scope  | Planned Start Date   | Actual Start Date                           | Final Report Issued             | Status / Assurance Level Given   |
|--|--------------------------------|---|--|---|---------------------------------|--|
| <b>Sub total</b>   | <b>35</b>                      |   |  |   |                                 |  |
| <b>Due Diligence</b>   |                                |   |  |   |                                 |  |
| Finance Systems <ul style="list-style-type: none"> <li>• Cash receipting (CR)</li> <li>• Budget preparation (BP) / Medium Term Financial Plan (MTFP)</li> <li>• Payroll (P)</li> </ul> | CR-09<br>BP/MTFP -04<br><br>16 | To ensure the Council's financial control environment is robust and operating effectively.<br><br>Areas selected from risk assessment, last audit, changes, External Audit liaison and assurance map.<br><br><i>The MTFP audit will now include work on savings targets which was previously a separate audit</i> | <u>CR</u><br>August 14<br><br><u>BP / MTFP</u><br>December 14<br><br><u>P</u><br>December 14 | Sept 14<br><br>January 15<br><br>January 15 | 9 January<br>15 Cash receipting | This will be delivered in conjunction with ELDC internal audit.<br><br><u>SHDC auditors</u><br>Payroll<br>Cash Receipting (Final report stage)<br><br><u>ELDC auditors</u><br>BP/MTFP<br>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   | January 15                                  |                                 | This will be delivered in conjunction with ELDC internal audit.<br><br><u>SHDC</u><br>Creditors/Property/<br>Housing benefits  |



| Area                    | Days | Indicative Scope   | Planned Start Date | Actual Start Date | Final Report Issued | Status / Assurance Level Given                          |
|-------------------------|------|--|--------------------|-------------------|---------------------|---|
|                         |      |  |                    |                   |                     | ELDC<br>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        | Draft issued Feb 15 | Draft report 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        | 15 January 15       | Final report issued                                     |
| CPBS                    | 10   | Undertake a review of the governance, risk and internal control regime of the Company  | August 14          | August 14         |                     | Draft report 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              |                   | Postponed           |                                |
| 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.<br>Transformation programme – actions following the peer review | December14 / January 15 | January 15        |                     |                                |

| 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        | 5 January 15                                    | Final report issued            |
| <b>Sub Total</b>          | <b>101</b> |  |                    |                   |   |                                |
| Benefits Subsidy claim    | 25         | Testing to support the external audit of the subsidy claim   | June-August 14     | June 14           | November 14*<br><i>Completion of workbooks.</i> | Completed                      |
| <b>Sub Total</b>          | <b>25</b>  |  |                    |                   |   |                                |
| <b>Strategic Risk</b>     | <b>0</b>   |  |                    |                   |   |                                |
| <b>Sub Total</b>          | <b>0</b>   |  |                    |                   |   |                                |
| <b>Emerging Risks</b>     |            |  |                    |                   |   |                                |
| Emerging risk contingency | 24         | To audit any significant emerging risks arising in the year.<br><br>Housing in Multiple Occupation<br>HMO Audit (10 days)                      | October 14         | November 14       |   | HMO Draft report issued.       |

| Area  | Days  | Indicative Scope  | Planned Start Date     | Actual Start Date | Final Report Issued | Status / Assurance Level Given  |
|---|---|---|------------------------|-------------------|---------------------|---|
|   |   |   |                        |                   |                     |   |
| <b>Sub Total</b>  | <b>24</b>                                       |   |                        |                   |                     |   |
| <b>Other relevant Areas</b>   |   |   |                        |                   |                     |   |
| 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     |
| <b>Sub Total</b>  | <b>0</b>  |   |                        |                   |                     |   |
| <b>ICT Audit.</b>   |   |   |                        |                   |                     |   |
| ICT Audit <ul style="list-style-type: none"> <li>• Mobile Devices</li> <li>• IT security</li> </ul> | 20<br><br><i>(plus East Lindsey allocation)</i> | IT security<br>Mobile devices<br>Strategy<br>ICT Programme/projects<br>Software<br>DR follow up | September 14           | December 14       |                     | Draft report issued<br>Mobile Devices<br><br>Field work in progress (other areas) |
| <b>Sub Total</b>  | <b>20</b>                                       |   |                        |                   |                     |   |
| <b>Non-Audit</b>  |   |   |                        |                   |                     |   |
| Advice / liaison  | 6   |   |                        |                   |                     |   |
| Annual Report   | 1   |   |                        |                   |                     |   |

| <b>Area</b>                         | <b>Days</b> | <b>Indicative Scope</b> | <b>Planned Start Date</b> | <b>Actual Start Date</b> | <b>Final Report Issued</b> | <b>Status / Assurance Level Given</b> |
|-------------------------------------|-------------|-------------------------|---------------------------|--------------------------|----------------------------|---------------------------------------|
| Audit Committee                     | 6           |                         |                           |                          |                            |                                       |
| <b>Sub Total</b>                    | <b>13</b>   |                         |                           |                          |                            |                                       |
| <b>Total Audit Plan for 2014/15</b> | <b>218</b>  |                         |                           |                          |                            |                                       |