



AUD. 13/14

**Governance & Audit  
Committee**

**26<sup>th</sup> September 2013**

**Subject: Internal Audit Plan 2012/13 – June 2013 to August 2013  
Progress report**

Report by:

Lucy Pledge (Head of Service – Corporate Audit  
& Risk Management – Lincolnshire County  
Council)

Contact Officer:

Russell Stone, Financial Services Manager  
[russell.stone@west-lindsey.gov.uk](mailto:russell.stone@west-lindsey.gov.uk)

Purpose / Summary:

The report gives members an update of  
progress, by the Audit partner, against the  
2013/14 annual programme agreed by the Audit  
Committee on the 21<sup>st</sup> March 2013.

**RECOMMENDATION(S):**

1) **Members consider the content of the  
report and identify any actions required.**

## **IMPLICATIONS**

**Legal:** None directly arising from the report

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**Financial:** None directly arises from the report.

**Staffing:** None.

**Equality and Diversity including Human Rights:**

NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.

None arising from this report

**Risk Assessment:** N/A

**Climate Related Risks and Opportunities:** None arising from this report

**Background Papers:** No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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**Call in and Urgency:**

**Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?**

**Yes**

**No**

**Key Decision:**

**Yes**

**No**



# **Internal Audit - Progress Report 2013 / 14**



**Date: *September 2013***

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Contact Details:  
Lucy Pledge CMIIA  
Head of Audit & Risk Management



County Offices, Newland, Lincoln, LN1 1YG  
☎:01522 553692    ✉ [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)

## Introduction

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1. The purpose of this report is to:
  - Advise of progress being made with the 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
  - Raise any other matters that may be relevant to the West Lindsey Audit Committee role

## Key Messages

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2. Delivery of the 2013/14 Internal Audit plan is well underway. The investment decisions audit from the 2012/13 is complete but still awaiting management sign off on agreed actions. This was intentionally delayed to allow the review of the Elswitha Quarter project to be completed.

## Internal Audit work completed from 1st June to 31<sup>st</sup> August

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

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
No reports	No reports	• IT Security	No reports

Note: The 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. We are reporting one limited assurance audit in this quarter, the key area where we have recommended improvement is:

### IT Security

Senior management need to satisfy themselves that WLDC is sufficiently protected against a breach of their IT security.  
None of the recommendations were due for implementation at 31<sup>st</sup> August 2013.

The executive summary is in Appendix 2.

5. Progress with the implementation of agreed management action on recommendations for audits resulting in 'No' or 'Limited' assurance is followed up and reported in Appendix 3. Substantial assurance audits where agreed actions are more than 3 months overdue have also been included.

## **Other Significant Work**

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6. Other audit work undertaken during the period has been

### **Elswitha Quarter**

The draft report is now complete on the review of the Elswitha Quarter re-development and is progressing through the sign off process as agreed. This will be reported at the extra meeting of the Governance and Audit committee on 22<sup>nd</sup> October 2013.

### **Combined Assurance Status Report**

This is now complete and is being presented to this committee as a separate agenda item.

### **Housing Benefit Subsidy Claim**

Our annual work on behalf of the External Auditors to provide evidence to support their sign off of the 2012/13 Benefits Subsidy claim is complete. We identified a small number of errors, which are of low value. These have been reported back to the Benefits team and External Audit for further internal testing to be arranged.

## **Audits in Progress**

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7. The following 2013/14 audits are currently in progress:

### **Progress and Delivery of the Corporate Plan**

Our work aimed to provide assurance on the progress made against the delivery of key priorities in the corporate plan and how effective reporting through progress and delivery reports are. We also considered the role and effectiveness of the programme boards – incorporating how well risk, performance, partnership working and projects associated with the priority are being managed. This assignment is complete, awaiting sign off by CMT before the final report is issued.

### **Counter Fraud Arrangement**

Strong counter fraud arrangements are key to good governance. To provide assurance in this area we have undertaken a review of counter fraud arrangements. This assignment is complete, awaiting sign off by CMT before the final report is issued.

### **Payroll**

Included in the plan as part of the annual review of the key financial systems this assignment is complete and awaiting sign off by CMT before the final report is issued.

### **Partnership Management**

We are reviewing the structures and governance arrangements in place to manage key partnerships.

### **Project Management**

We are following up on the agreed actions taken after the last audit of project management. We will also provide an updated assurance opinion on the project management process, its fit in the organisation and its application to the management of projects.

### **Asset Management, Utilisation and Disposal**

Our review of the asset management project seeks to provide assurance that:

- There is a comprehensive understanding of assets held;
- Process for acquisition, utilisation and disposal;
- Assets are used for maximum benefit of communities and the authority.

### **Investment Decisions**

The brief of this audit has been expanded to include procurement and governance in addition to the original focus on how lessons learnt from historic projects have influenced the draft commercial strategy and the investment decision making process. Work was completed in February 2013 but put on hold as a result of being commissioned to undertake a review of the Elswitha project. We need to take into account recent actions taken and agreed by the Council to strengthen the investment decision process. We are currently finalising the draft report on the Elswitha project and findings from this audit needs to be triangulated to ensure consistency and to avoid duplication.

## **Performance Information**

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8. Our current performance against targets for 2013/14 is shown below.

Performance Indicator	Target	Actual @ 31/08/2013
Percentage of plan completed.	100% (revised plan)	33%
Percentage of key financial systems completed.	100%	0%
Percentage of recommendations agreed.	100%	N/A – non discussed yet
Percentage of recommendations	100% or escalated	100%*



Performance Indicator	Target	Actual @ 31/08/2013
due implemented.		
Timescales	Draft report issued within 10 working days of completing audit. Final report issued within 5 working days of closure meeting / receipt of management responses. Period taken to complete audit – by exception	N/A – non issued yet  N/A – non issued yet
Client Feedback on Audit (average)	Good to excellent	No feedback

\*None due yet

## Appendix 1 - Assurance Definitions

Full Assurance	<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.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
Substantial Assurance	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence 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 are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
Limited Assurance	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are 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>
No Assurance	<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> <li>- failure to comply with legal requirements</li> </ul> <p>The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

## Appendix 2 – Audits where assurance is assessed as ‘No’ or ‘Limited’ (Executive Summaries only)

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### IT Security

#### Introduction and Scope

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This aim of this project was to complete a security audit with regard to the IT infrastructure used by West Lindsey District Council (WLDC) to deliver services to the general public.

The report provides a review of the IT and network infrastructure, supporting documentation (e.g. policies, procedures, work instructions), Governance and IT support arrangements.

#### ***Approach***

The project was undertaken by a specialist IT security auditor.

An initial information gathering phase involved representatives from the IT Section followed by on site information gathering and included interviews with key staff and inspections of IT operations areas and server rooms. This was followed-up by a documentation review and supplementary questions.

#### Assurance Opinion (Limited)

We are unable to provide assurance that WLDC is sufficiently protected against a breach of their IT security.

Key ones where we recommend the Council strengthen its security arrangement are:

- improving resilience arrangements in the event a disaster
- ensuring the emerging ICT strategy in particular addresses the question of sharing services and people across Local Authorities
- developing a Code of Connection for access to WLDC corporate network
- developing and / or updating a range of key IT policies, plans and procedures
- ensuring that change control is fully implemented
- improving access control
- deploying an intrusion detection / prevention system linked to the firewall
- reviewing the content of the annual IT security health check
- reviewing buildings and IT operations security

It is worth noting that many of the recommendations could be addressed quite quickly.

We found areas of good practice. The audit highlighted good work that was taking place at WLDC, and particularly in respect of the rollout of the new Samsung tablet computers, the state of the server room, user-level documentation, and the use of ‘shared’ resources with other authorities.

Positive steps have been taken to respond to resourcing constraints through sharing resources with North Kesteven District Council. It is not unexpected that ICT systems have been affected in the transition.

Our audit aimed to give the Council some high level assurance information over key elements of its ICT arrangements namely:-

**Improving resilience arrangements in the event a disaster.**

There are gaps in the Council's IT resilience arrangements which could impact upon recovery in the event of a disaster or business interruption. Areas for improvement include an IT Disaster recovery plan and back-up policy among others.

**Ensuring the emerging ICT strategy in particular addresses the question of sharing services and people across Local Authorities**

A 'high-level' IT strategy is being produced, however it may not cover the use of 'shared' resources across authorities, including for example people and IT resources.

**Developing a Code of Connection for access to WLDC corporate network**

The protection of WLDC will be dependent on the protection afforded to partner organisations in other words the security perimeter has become much bigger.

**Developing and / or updating a range of key IT policies, plans and procedures**

These require producing or updating to enhance the existing IT security policy.

**Ensuring that change control is fully implemented**

We found that formal change control is not always applied. There is not sufficient provision for assessing security risks associated with requests for change. There is no separate development and test network for all 'key' applications.

**Improving access control**

There is no list of 'authorised' removable media, which makes unauthorised use more likely and a comprehensive list of software licenses and maintenance agreements is not maintained.

**Deploying an intrusion detection / prevention system linked to the firewall**

There is no firewall policy, which would act as a clear reference point for operation / changes and no intrusion prevention system which could improve the effectiveness of the firewall.

### **Reviewing the content of the annual IT security health check**

Proposed changes to the Windows domain and end-user devices have not been 'health-checked'

### **Reviewing buildings and IT operations security**

We identified risks associated with 'tailgating'. Consider also 'Baseline Personnel Security Standards' for staff and contractors. In the IT server / operations area consider deploying an alarm sensor in the server room; unsupervised access should be limited and equipment racks should be locked.

## **Management Response:**

The audit findings present a true picture of ICT security at West Lindsey.

There is a programme of improvements in place to ensure that we comply with the Public Service Network security requirements by the end of September 2013.

The work of this audit has been useful in informing that action plan which is making significant progress.

<b>Management Actions</b>	<b>No</b>	<b>All to be completed by:</b>
High Priority	9	January 2014
Medium Priority	6	February 2014

## Appendix 3 - Outstanding recommendations as at 31<sup>st</sup> May 2013

Audit Area	Date	Assurance	Number of Recs	Implem'd	Outstanding			Not Due Date
					H	M	L	
<b>Business Improvement</b>								
Project Management 11/12	Sept 2011	Limited	16	15	0	1	0	
Risk Management	May 2012	Limited	6	4	1	1	0	
Change program	Nov 2012	Substantial	11	9	0	2	0	
Information Governance	May 2013	Limited	12	2	0	1	0	9
<b>Resources</b>								
Income Generation	Mar 2013	Limited	7	3	1	0	0	3
<b>Localism</b>								
Localism	Oct 2012	Substantial	5	2	3	0	0	

## Appendix 4 – Internal Audit Plan & Schedule 2013/14

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Critical Service Activities</b>						
<b>Communities and Localism</b>						
Partnership Management		To provide assurance on the structures and governance arrangements in place to manage key partnerships.	May 2013	July 2013		In progress (on hold for completion of subsidy work)
<b>Resources</b>						
Progress and delivery of the corporate plan		<p>To provide assurance on the progress made against the delivery of key priorities in the corporate plan and reporting through progress and delivery reports.</p> <p>To also include the role and effectiveness of the programme boards – incorporating how well risk, performance, partnership working and projects associated with the priority are being managed.</p>	May 2013	July 2013		Complete – awaiting final sign off by CMT
Welfare Reform		To provide assurance that welfare reform has been	October 2013	December 2013		

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		implemented effectively, including <ul style="list-style-type: none"> <li>• Delivery plan</li> <li>• Sustainability</li> <li>• Assessment of the impact on communities / vulnerable people</li> <li>• Impact on collection rates</li> </ul>				
NDR and new homes bonus		To provide assurance on how the council is proactively managing NDR income, including: <ul style="list-style-type: none"> <li>• Supporting business growth</li> <li>• Maintaining collection rates</li> <li>• Sustainability</li> </ul>	July 2013	September 2013		
<b>Subtotal</b>	<b>50</b>					
<b>Due Diligence</b>						
<b>Resources</b>						
Finance Systems – to be agreed with external audit input		To review systems and test transactions for finance systems feeding into the Council's accounts in liaison with external audit.	December 2013	March 2014		



Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Housing Benefits and Subsidy claim Review		Review of the housing benefit systems in conjunction with testing to support the external audit of the subsidy claim.	July 2013	September 2013		Complete
Risk Management		To provide assurance on the risk management strategy, structure and operations within the organisation.	October 2013	December 2013		
Project Management		Review of the project management process, its fit in the organisation and its application to the management of projects.  Audit to include gateway reviews of key projects to be agreed with the Assistant chief executive.	May 2013  To be requested	July 2013		In progress (on hold for completion of subsidy work)
Elswitha Quarter		To review processes and decisions made in the Elswitha Development, to include governance arrangements.	April 2013	June 2013		Complete – awaiting final sign off by CMT and Members
<b>Sub Total</b>	<b>110</b>					

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Key Projects</b>						
Asset Mgt, utilisation and disposal		Review of the asset management project to provide assurance that: <ul style="list-style-type: none"> <li>• There is a comprehensive understanding of assets held;</li> <li>• Process for acquisition, utilisation and disposal;</li> <li>• Assets are used for maximum benefit of communities and the authority.</li> </ul>	May 2013	July 2013		In progress (on hold for completion of subsidy work)
<b>Sub Total</b>	<b>10</b>					
<b>Emerging Risks</b>						
Emerging risk contingency		To audit any significant emerging risks arising in the year.				
<b>Sub Total</b>	<b>10</b>					
<b>Other relevant Areas</b>						
Assurance mapping		Update assurance map with service managers and gain management assurances and	September 2013	November 2013		

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		third party assurances.				
Counter Fraud		To assess the effectiveness of the Council's arrangements for 'Fighting Fraud Locally' as outlined in the National Fraud Authority good practice guide.	July 2013	July 2013		Complete – awaiting final sign off by CMT
<b>Sub Total</b>	<b>20</b>					
<b>ICT Audit.</b>						
		Identifying the assurances available on the Councils ICT Management arrangements – Infrastructure – applications. Based on this information undertaken an ICT audit eg critical application or IT security	January 2014	March 2014		
<b>Sub Total</b>	<b>10</b>					
<b>Non-Audit</b>						
Advice / liaison	5					
Annual Report	1					
Audit Committee	5					
<b>Sub Total</b>	<b>11</b>					
<b>Total Audit Plan for 2013/14</b>	<b>221</b>					