West Lindsey
District Council
The Entrepreneurial Council

Assurance
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Internal Audit Progress Report at 30th September 2017

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Appendices to Accompany Report

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Introduction

1. The purpose of this report is to:

   - Advise of progress made with the 2017/18 Audit Plan
   - Provide details of the audit work undertaken since the last progress report.
   - 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 Governance & Audit Committee role

Key Messages

2. Work continues to progress on the 2017/18 audit plan with all audit reviews scheduled for quarters one and two either started, at draft report stage or completed.

   For quarter one audits the Commercial Strategy draft report is with management for a final response, Effective Decision Making consultancy has been completed and is waiting for management team sign off, Development Management is ready for final approval by the management team.

   Quarter two audits include Bank Reconciliation, Sales and Invoicing, Licensing and NKDC Partnership review, which are all at the draft report stage. Housing Benefit subsidy testing is complete and the Procurement review will completed in the next quarter. Details are included in the Internal Audit Plan schedule in Appendix 1

3. The annual assurance mapping process for 2017/18 is underway and appointments have been scheduled with all managers to document the Councils assurance on key delivery and critical areas.

4. We have delivered 45% of the 2017/18 Internal Audit Plan against a quarter two target of 46%. Appendix 2 provides details on the current status of the plan.

5. Good progress has been made in implementing audit recommendations - there are currently only 3 overdue actions. two are medium priority and one is high. The high priority action relates to the 2016/17 Progress & Delivery audit which was limited assurance. Details on the outstanding actions can be found in Appendix 2 & 4.

6. The following audit work has been completed and final reports have been issued since the progress report presented to the January meeting of the audit committee:

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
None	ICT Systems Flare. Project & Programme management Key Controls Finance Housing Benefits Subsidy	None	None	

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 3.

7. Below are summaries of the audit reports issued. :

ICT Systems Flare – Substantial Assurance

We undertook a review of the management arrangements in place for the operation of the Civica APP (Authority Public Protection) application to assess them against best practice (ISO:27001) in the following areas:

- System administration
- Security over access
- Changes to system parameters
- Audit trail

The arrangements for the administration of the system are good, changes to system parameters are properly controlled and an audit trail is maintained. Responsibility for system administration is allocated to a centralised system administration function and this works effectively, enabling good control over the addition and removal of users and the allocation of permissions.

There were some areas where overall systems security can be improved and we have made several recommendations under the following areas:

No contract was able to be located during the audit. We have recommended that the Council satisfies itself that a current contract is in place.

We have recommended that supplier access is then disabled at both the network and application levels to provide a layered control.

Permissions allocated to users within Civica should also be subject to periodic review to ensure appropriate levels of access are maintained.

Project & Programme Management – Substantial Assurance

The main purpose of the review was to provide independent assurance that projects are delivering expected benefits on time and within budget. The review focussed on the delivery of three projects:

- Installation of TVs
- Learning Platform
- Committee Admin System

Based on our review of three projects, projects are generally underpinned by sound project management processes, which support the timely delivery of expected benefits on budget. The three projects were all appropriately approved, regularly monitored and on budget. The non-delivery of one project was due to a conscious decision to delay rather than a key control weakness.

The review highlighted some areas for improvement including – ensuring complete project records are retained, project success is measured against SMART targets and that a proportionate approach to Project Management is taken to projects of various size and complexity.

We were also asked to provide advice around the adequacy of the governance arrangements within the Council's revised approach to managing projects and programmes.

We found that the new approach (as at the time of the review) should improve process efficiency and control with the retention of a flexible project management methodology, greater accountability being placed on the Project/Programme Sponsors and the introduction of a Gateway team.

We made several suggestions to support and strengthen the new process.

Key Controls Finance (Debtors, Housing Benefits and Pensions) – Substantial Assurance

The purpose of our audit is to provide independent assurance that key controls for the administration and management of the following systems were in place and operating effectively in 2016-17: Debtors, Pensions and Housing Benefits.

We found that the Council has good processes and controls in place to ensure that the systems we reviewed operate effectively and support protecting the business from fraud and error. We have identified a number of areas where the Council could strengthen these arrangements by ensuring that:

Debtors

Staff ensure supporting papers and documents for debtor invoices are recorded on an accessible shared drive to support a clear audit trail of transactions and completeness of records.

Pensions

Ensure changes to pension information and reconciliations of changes are reviewed and authorised by a second officer.

Develop a clear plan to cover for the main Pensions officer who is off on maternity leave to ensure pension administration continues to work effectively.

Benefits

The quality assurance checking process, which checks the assessment of benefit cases, is reconfigured to more closely align it to the guidance provided by the Department of Work and Pensions in terms of sample selection and error reporting/analysis.

Ensure that reviews of high value benefit payments are evidenced.

Housing Benefit Subsidy testing – Substantial Assurance

We have carried out annual testing on Housing Benefit subsidy on behalf of, and in conjunction with, the external auditor KPMG.

A sample of Benefit cases are tested to provide overall assurance on the accuracy of the Housing Benefits caseload and to confirm that the correct level of subsidy has been claimed by the Authority. The work is carried out by Internal Audit to ensure an independent test of cases and subsidy. Any errors found during testing lead to further checking of similar cases.

We examined twenty-nine cases as part of the work undertaken to support the subsidy claim. The vast majority of cases tested were satisfactory with claims being correctly assessed and promptly updated by Benefits staff.

Twenty-Nine cases were examined, of which six cases contained errors. Where we found errors we have share these with Benefits management and made some recommendations in the report action plan to further support improvement in the areas identified. Our work on subsidy informs the External Auditors view and assurance on grant work at the Council.

Overdue Audit Recommendations

8. Outstanding Internal Audit recommendations are tracked and monitored along with the Council's Business Improvement Officers to ensure actions are accurately recorded and monitored. This helps to maintain oversight and momentum.

9. There are 3 overdue management actions of which one is High priority. There are a further 4 actions where the date for completion has been extended.

   Appendix 2 & 4provides details of all outstanding recommendations.

Performance Information

10. Our performance is measured against a range of indicators. We are pleased to report a good level of achievement against our targets – The table below shows our performance on key indicators as at 30th September 2017.

Performance Details 2016/17 Planned Work

Performance Indicator	Annual Target	Target to date	Actual
Percentage of plan completed.	100% (revised plan)	46%	45%
Percentage of key financial systems completed.	100%	0%	*0%
Percentage of recommendations agreed.	100%	100%	100%
Percentage of recommendations due, implemented.	100% or escalated	100% or escalated	100% or escalated
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	100%
Final report issued within 5 working days of CLT agreement.	100%	100%	100%
Period taken to complete audit –within 2 months from fieldwork commencing to the issue of the draft report.	80%	80%	70% (5 of 7)
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Excellent

*NB Work scheduled in and due to start February / March 2018, this will give us the full previous 12 months to review financial transactions.

Other Matters of Interest

The CIPFA Better Governance Forum September 2017 issue issued some guidance for Audit Committees for the following areas. 2017 edition of the Public Sector Internal Audit Standards, Understanding the risks and opportunities from Brexit and recent developments and resources

We have also included the National Audit Offices guidance to Audit Committees on Cyber security risks.

This is included as a separate PDF and is not included in the papers pack.

Appendix 1 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Effective Decision Making	Consultancy - review to provide insight and support on the Councils decision making process by reviewing a sample of key decisions.	May 17	May 2017	Aug 17	Complete Consultancy
Development Management Services Phase 2	Phase 2, provide assurance that improvement plans and changes have led to better outcomes and a sustainable Development Management Service.	May 17	May 17		Draft report
Commercial Plan Phase 2	Provide assurance on the management and delivery of the key Commercial Plan themes. Review how services and key projects are structured and align to the commercial plan deliverables and objectives.	April 17	April 17		Draft Report
Housing Benefits Subsidy	Test a sample of benefit cases to on behalf of the external auditor KPMG to provide assurance on the subsidy claimed by the Council	Q2 July	July 17	Sept 17	Complete Substantial Assurance
Bank Rec	New system in place, audit requested by Finance manager to provide	July 17	Aug 17		Draft report

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	assurance that the new system is operating as intended and providing a robust bank rec process.				
Procurement	Provide assurance on the procurement process and rationale. Review whether alternatives are considered as part of the process including partnerships, shared services and commissioning.	Sept 17	Q3		TOR agreed ready for Q3 review
NK Partnership	Provide assurance on the monitoring and management of this key partnership.	Aug 17	Aug 17		Draft report
Sales and Invoicing	To provide assurance That managers understand the commercial principals of traded services. To provide assurance that finance systems and invoicing are compatible with commercial aims.	Aug 17	Aug 17		Draft report
ICT Patch Management	Confirm that software updates and patches are effectively applied and monitored across the Councils key ICT applications.	October 2017			Opening Booked

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Good Governance Ethics	Consultancy - Review the Council governance arrangements against recommended CIPFA best practice and provide assurance on the systems, processes and outcomes.	November 2017			WIP
Combined Assurance	Document the Councils critical areas to provide an assurance rating to inform the audit plan and report to management and members.	Q3			WIP
Choice Based Letting's Follow Up	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	October 2017	October 2017		WIP
Local land Charges Follow Up	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	October 2017			Opening meeting booked
Programme Board and Growth	Review the workings of the Programme Board and follow up on 2016 growth audit work and provide assurance on project and programme work in delivery.	Q4			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Key Controls Finance	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's Financial control environment.	Q4			
PCI DSS Follow up	A follow up review of the Limited assurance review carried out in 2016/17	Q4			
Progress and Delivery Follow up	A follow up review of the limited assurance review from 2016/17.	Q4			
ARCUS ICT System	Provide assurance that the new Development management ICT system is being effectively managed and installed.	Q4			

Appendix 2 - Overdue Audit Recommendations at 30TH September

Data is for audits where recommendations were due to be implemented by 30th September 2017

Activity	Issue Date	Assurance	Total Recs	Recs implemented	Priority of Recommendations o/s		
					High	Medium	Not yet due
ICT Infrastructure	August 2013	Limited	15	14	*1	0	0
Progress & Delivery 2016/17	June 2016	Limited	5	1	1	2	1
Key Policies and Procedures 2016/17	Sept 2016	Substantial	12	11	0	1**	0
PCI DSS 16/17	March 2017	Limited	8	6	1***	1***	0
Totals			40	32	3	4	1

* Original date for completion 31.12.2103, revised date 31.12.2017.
**Original date for completion 31.03.2017, revised date 31.12.2017.
***Original date for completion 01.04.2017, revised date 30.11.2017.

Appendix 3- Assurance Definitions[1]

High Assurance	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.
Substantial Assurance	Our critical review or assessment on the activity gives us a substantial 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.
Limited Assurance	Our critical review or assessment on the activity gives us a limited level of confidence 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.
Low Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls

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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.

	and / or performance. 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.

Appendix 4- Details on overdue audit recommendations 2017/18

Name	Priority	Finding	Agreed Management Response	Date to be completed	Response Comments	Revised date for completion	Person responsible
WLDC_ICT_Infrastructure 12/13	High	Ensure that a comprehensive ICT strategy is produced, and in particular addresses the question of 'sharing' services and people across Local Authorities.	Agreed - Gareth Kinton (ICT Manager) will progress the recommendation for a detailed IT strategy with the business. It is recognised that the IT strategy should 'align' with other strategies from partner Authorities to whom closer integration may be required in the future.	31/12/13	The ICT strategy has been in development for some time and whilst a full strategy has not been agreed during that period the development and progression of the Corporate ICT has continued to be developed. An ICT Strategic Overview was agreed with Corporate Policy and Resources in June 2015 and in recent months we have had SOCITM undertaking work to review our current plans and carry out maturity surveys of IT and Digital provision. Whilst an IT strategy is still intended to be delivered this will now be aligned with the work on our Closer to the Customer (CTTC) programme which is currently being scoped.	31/12/17	James O'Shaughnessy

| PCI DSS | High | A requirement of the PCI DSS standard (v3.1) is that all staff are aware of the importance of card holder data security. The Council, in completing its compliance questionnaire, has indicated 'yes' but this is not strictly the case as there is no explicit reference to card holder data security in the Information Security training, provided by the Council, for its staff.The revised PCI DSS standard (v3.2) goes further in directing staff to card holder data security policy and procedures. The revised 3.2 standard is currently best practice but this will become a requirement as of February 2018. The Council does not currently have an approved PCI DSS security policy although we have made the Information Governance Officer aware and this is being developed. | 5.A PCI DSS security policy will be produced and made available to relevant staff. Our Information Security Policy will incorporate reference to the PCI DSS security policy and card holder data security. Training arrangements for all staff will be provided via Learning Pool and processes to promote on-going awareness will be implemented. | 31/05/17 | 1. PCI-DSS Security Policy adopted by Corporate Policy and Resources Committee on 13/4/2017.2. PCI-DSS LearningPool module prepared for roll-out to staff. Implementation by mid May.3. LearningPool module tested by Customer Services ready to be rolled out to staff.4. Problem with completion tracking of LP module - under investigation. | 31/10/17 | Steve Anderson |

| P&D Audit July 17 | High | Although the P&D reporting process has been in place for some years there remains a difficulty in collecting and collating complete information for services and corporate measures. Further work is needed to ensure managers are clear on the process their responsibilities and reporting requirements. At the time of the audit we could not locate any written guidance or policy to support the aims and process of the P&D reporting system. As the report has developed and changed over the last four years documented guidance is important to support clarity and engagement with the process. | Review the current measures used to ensure they are relevant to members, senior managers and team managers.Develop a performance practice and process guide linked to delivering the Council's corporate objectives. | 31/05/17 | Dates are currently being reviewed by Mark Sturgess | Mark Sturgess |

| PCI DSS | Medium | The Council has confirmed in the self-assessment questionnaire that there is a current network diagram that documents all connections between the cardholder data environment and other networks, including any wireless networks. The diagrams provided to us to support this assertion do not provide a sufficient level of detail to clearly document the infrastructure used.The completion of sufficiently detailed network diagrams can go on to inform the response to further questions in the self-assessment questionnaire. | 6.A review of the detail of the supporting network diagram will be undertaken | 01/04/17 | Use of NetBrain to produce diagram to go to CISG | 30/11/17 | Cliff Dean |

| Key policies and procedures | Medium | There is a corporate retention and destruction schedule which is located on the Council's Minerva site. This was last updated in 2014. Although key policies are stated within the retention policy, they are not explicitly stated individually but it is clear how long they have to be retained for. There is currently an ongoing corporate project 'Implementation of the Records Management Policy'. This has been rolling since 2015. This will not only bring the retention and destruction schedule up to date but will help to address document control such as naming conventions and versioning. | Appropriate focus and scrutiny on the management of the project will be undertaken to realise the achievement of the objectives | 31/05/17 | 1. Presentation of project progress and next steps given to SLT members on 2/5/2017.2. R&D Schedule being updated as information is identified. Included as an action on the GDPR Implementation project and planned for issue end Dec 2017. | 31/12/17 | Steve Anderson |

| P&D Audit July 17 | Medium | The Council has set around 250 performance measures that can be included in P&D reports. For the period two report around half of these were incomplete and not reported. Some have no targets set and so may never be reported and some are not completed by managers so cannot be included in the report. To support a more effective reporting process the Council should ensure that all the required measures are completed. All the reported measures should be are SMART measures and managers responsibilities for providing the information should be reconfirmed. | Review / reduce the number of measures used based on experience and the need for the measures. Discarded measures to be used at service level where appropriate. Work with Team Managers to establish baselines and where appropriate targets. | 31/05/17 | Dates are currently being reviewed by Mark Sturgess | Mark Sturgess |

| P&D Audit July 17 | Medium | There are currently a large amount of measures for services to provide to complete the regular P&D reports. After several years of development using this system many measures remain incomplete and so the reports are not fully populated. This reduces the effectiveness and usefulness of the reports and manager and member oversight on performance. | Review measures reduce corporate measures and develop service measures. | 31/05/17 | Dates are currently being reviewed by Mark Sturgess | Mark Sturgess |