<u>**For publication**</u>

Outstanding Internal Audit Recommendations

Meeting: Standards and Audit Committee

Date: September 20th 2017

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

For publication

1.0   **Purpose of report**

1.1   To present for members' information a summary of outstanding internal audit recommendations and the progress being made to implement them.

2.0   **Recommendations**

2.1   That the report be noted.

2.2   That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.

2.3   That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2018.

3.0   **Report details**

3.1   It has previously been agreed by the Standards and Audit Committee that a report detailing outstanding internal audit recommendations be brought to the Standards and Audit Committee every 6 months.

3.2   The implementation of audit recommendations is being monitored by the Corporate Management team on a regular basis and they have committed to being pro- active in ensuring that recommendations are implemented as agreed where possible.

3.3   Attached, as Appendix A, is a summary of outstanding internal audit recommendations as at the end of August 2017. The front page of Appendix A provides an analysis of the number of recommendations made against the number outstanding.

3.4   The majority of outstanding recommendations relate to the areas of IT Security, Procurement, Data Protection, Non Housing Property Repairs, Business Continuity and Emergency Planning, Section 106 and Health and Safety. The majority of these areas are included for a revisit as part of the 2017/18 internal audit plan.

3.5   The timely implementation of internal audit recommendations helps to ensure that the risk of error or fraud is reduced and that internal controls are operating effectively.

4.0   **Alternative options and reasons for rejection**

4.1   The report is for information.

5.0   **Recommendations**

5.1   That the report be noted.

5.2   That Members' decide if they want to ask any officers to the next Standards and Audit Committee for further updates in relation to specific areas of concern.

5.3   That a further summary of outstanding internal audit recommendations be submitted to the Standards and Audit Committee in April 2018.

6.0   **Reasons for recommendations**

6.1   To inform Members of the internal audit recommendations outstanding so that they can assess if appropriate and timely action is being taken.

Decision information

Key decision number	N/A
Wards affected	All
Links to Council Plan priorities	This report links to the Council's priority to provide value for money services.

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Summary of outstanding audit recommendations as at the end of August 2017

Summary of Outstanding Internal Audit Recommendations as at end of August 2017

Recommendations Made	2014/15	2015/16	2016/17
Number of High Priority	54	58	40
Number of Medium Priority	34	42	48
Number of Low Priority	25	21	30
Total	113	121	118
Recommendations Implemented	**111**	**110**	**91**
Number of high recommendations outstanding	2	5	12
No of medium recommendations outstanding	0	5	6
Number of Low recommendations outstanding	0	1	0
Outstanding but not overdue	0	0	9
Total Outstanding	**2**	**11**	**18**
Percentage due implemented	**98%**	**91%**	**83%**

N.B Where recommendations are raised in more than one year these are only reflected in the first year raised

Outstanding Internal Audit Recommendations 2014/15

Audit 2014/15	Recommendations	Priority	Agreed Imp Date	Managers Comments
IT Security December 14	**R1** It is essential that the current Council's Use of ICT by Employees Policy is reviewed to determine if it is still fit for purpose. If it is deemed not fit for purpose that a new ICT policy should be devised in accordance with the risk appetite, strategies and direction of business of the Council	H	End May 2015 Revised date end October 2017	**August 17 Update –** Policies developed and consulted on. Changes to processes are now in train. Policies will be formally approved by portfolio holder in October.
Procurement – February 2015	**R3** The Council should publish a procurement toolkit on the Council's intranet and provide relevant Service Managers/Managers with compulsory training. This should include: • The Council's contract procedure rules. • EU legislation requirements. • Local Government Transparency Code 2014. • Confirmation of the respective roles in the procurement process. • Procurement methods and best practice.	H	September 15 Extended to 3 months after SLA sign off date	**Manager Responsible : Rachel O'Neil** **August 17 Update –** Member training delivered. Procurement e learning developed, but not yet rolled out to staff as we have requested a change to service delivery from our NHS partners.

Outstanding Recommendations 2015/16

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Data Protection – May 2015	R1 It is essential that the programme of training embarked on in April 2015, is monitored to ensure all staff fully complete the training and that the anticipated further training to data asset owners occurs and is completed within a prescribed timescale	H	November 15 Revised Date September 16	**Manager Responsible: Rachel O'Neil/Tony Smith/Gerard Rogers (as SIRO)** **August 2017 update –** Data Protection training rolled out to staff through learning pool. CMT working with service managers to move to 100% completion of the modules. Feedback from training is being evaluated by Information Assurance Manager. Programme of cultural awareness, including the new GDPR is being implemented. Aspire being used to provide information.
Data Protection – May 2015	R3 The review of Council forms used to collect personal data, be concluded by the revised implementation date 1st June 2015, with appropriate action being taken on any forms which are considered not to have a robust and consistent	H	End July 15 Revised Date March 18	**Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO)**

3

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
	fair processing notification.			**August 17 Update –** The work is being captured as part of the Information Assurance system population. There is still a vacancy within this service area and therefore completion has been delayed. This will be completed by year end.
Non Housing Property Repairs July 15	R3 As previously agreed, a report to the Council should be prepared indicating the outcomes of the property condition surveys undertaken and the levels of maintenance required, subsequent to which liaison must occur between the Council and the service provider to provide guidance on the levels of contributions available and the level of maintenance affordable (both revenue and capital)	H	September 15 Revised date October 17	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan** **August 17 update –** Kier have undertaken maintenance plans of 14 major properties within the portfolio. These are being discussed with the Premises Managers of these properties. A monthly meeting now takes place with Kevin Hanlon to discuss progress and potential savings to the PRF contributions. Once there has been a clear system set for the 14 plans we will complete the remainder of the maintenance plans and continue to report the outcome to Kevin Hanlon.
Non Housing Property Repairs July 15	R5 In conjunction with R2, when the new 10 year cycle is established it must be transparent as to what works are included within the cycle with the	H	On-going	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan/Kevin Hanlan**

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
	programme being adhered to as much as is practical. In instances where works are deferred or brought forward for any reason the plan should be updated to reflect the changes			**As above**
Corporate Credit Cards – March 2016	R1 To strengthen controls procedure notes / guidance outlining acceptable usage and control / security of cards should be documented and issued to corporate credit card holders	H	September 2016 Revised Date April 17	**Manager Responsible: Richard Staniforth** **Update August 2017 -** Procedure notes to be e mailed to card holders this month
Data Protection – May 2015	R11 Consideration be given to utilising the information gathered from the review of Council forms as a building block to create a Council Personal Data Asset Register to comply with proposed EU legislation	M	December 15 Revised to March 2018	**Manager Responsible: Rachel O' Neil/ Tony Smith/Gerard Rogers (as SIRO)** **August 2017 Update –** A system has now been procured and this is being populated to create an asset register. This will be completed by year end, in time for the GDPR implementation.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Non Housing Property Repairs July 15	R6 It should be clarified that the condition surveys relate to Council premises (as opposed to assets e.g. Car parks) and is a finite 5 year exercise and not a rolling exercise	M	Further discussion required	**Manager Responsible: Michael Rich / Matt Sorby/Jon Vaughan** Matt Sorby to clarify with Michael Rich
Non Housing Property Repairs July 15	R7 It is essential that on conclusion of the 5 year review, a comprehensive comparison to the estates list is undertaken to ensure that there have been no omissions e.g. Coach station, public conveniences	M	31st March 2016	**Manager Responsible: Michael Rich / Matt Sorby/ Jon Vaughan** Matt Sorby to clarify with Michael Rich that this has been actioned
Procurement – March 16	R6 The CBC website requires updating with the Contracts Register to comply with the Local Government Transparency Code 2015	M	Within 3 months of SLA sign off	**Responsible Manager: Rachel O'Neil** **August 2017 Update –** Publication delayed as details of contracts over £50k does not meet legislation. NHS partnership asked to take on responsibility for all contracts and we await a price for this work. This is scheduled for receipt in late September. Publication will take place from December 2017.

Audit- Recs 2015/16	Recommendations	Priority	Agreed Imp Date	Managers Comments
Business Continuity and Emergency Planning arrangements October 2015	R2 Once the new Corporate Management Team structure has been established then it should be ensured that Service Area Business Continuity plans are:- • Aligned to the new structure • Brought up to date • Appropriately distributed Updated at least annually	M	SS to commence once new CMT structure agreed and further developed and completed once positions filled – March 17	**Manager Responsible: Sam Sherlock** **July 17 Update** - The following business continuity service area arrangements are outstanding: • Customers, Commissioning and Change - Rachel O'Neil • Economic Growth - Neil Johnson • Health and Wellbeing - Martin Key **August 2017 Update –** the plans are available in draft and will be provided to the Business Continuity Officer.
Bank Reconciliation August 2015	R1The bank reconciliation procedure notes should be updated to reflect any changes in procedure once the transfer of the Councils bank account to Lloyds Bank has been fully implemented	L	31st October 2015 Postponed to 31st Dec 2015 Extended to September 2017	**Manager Responsible : Helen Fox Update August 2017 –** Accountancy restructure now complete and implemented from June 17. Procedure notes to be updated ASAP.

Outstanding Recommendations 2016/17

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
Treasury Management – Loans and Investments **October 16**	R1 It is essential that the Treasury Management Practices are updated to reflect the current situation as recommended in the 2013/14 audit.	H	Revised to Jan 17	**Manager Responsible : Helen Fox** **Update July 17** - The Capital & Treasury Management Accountant who started work in June 2017 has been asked to update these in August.
Section 106/CIL – September 2016	R2 It should be ensured that all section 106 obligations due and not collected get assessed; these should then be chased for payment or written off as appropriate. **See Appendix 1**	H	March 17	**Manager Responsible: Neil Johnson** **August 17** - R2 &R3 There has been written confirmation from DCC that it is no longer appropriate or necessary to collect the £40,000 on the back of the Station Road Scheme. This would therefore need to be formally written off in a report agreed by members. We have written to all parties on the list and have received no responses other

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				than from DCC. We will send out a final reminder with a course of action that we will be compiling a report to sign off by committee if we receive no response. We have started to prepare the reports for the Member sign off on a case by case basis.
Section 106/CIL – September 2016	R3 Evidence should be provided to confirm payment of the offsite play contribution (£38,800) and the highways contribution (£5,000) for CHE/05/00053/FUL.	H	March 17	**Manager Responsible: Neil Johnson** **August 2017 Update –** as per R2
Section 106/CIL – September 2016	R10 Consideration should be given to providing the planning committee with an annual report that details all section 106 agreements and there current status including outstanding obligations not received.	H	April 2017 Revised to April 18	**Manager Responsible: Neil Johnson** **August 2017 Update –** An annual report to Planning Committee and Cabinet, detailing status of all S106 agreements including financial, and an annual CIL report will be made in April 2018 and subsequent end of financial years. This will include all monies received and spent. A report will be going to Council

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				in December 2017 to agree the prioritisation of CIL spend.
IT Network Security Review/Cyber Security – October 16	R1 It should be ensured that ICT Policies are updated and implemented as current policies are outdated.	H	31ST March 2017	**Manager Responsible: Rachel O'Neil** **August 2017 Update –** Policies developed and consulted on. Changes to processes are now in train. Policies will be formally approved by portfolio holder in October.
IT Network Security Review/Cyber Security – October 16	R6 Consideration should be given to introducing new procedures and guidelines for the remediation of security threats, this should include timescales for addressing the risks identified dependant on the level of risk. These should be agreed and approved by CBC.	H	Implementation of vulnerability management guidelines by 31/03/2017	**Manager Responsible: Rachel O'Neil** **August 2017 Update –** New policies and procedures have been developed, which incorporate timescales. Arvato have provided a patching proposal and patching is now being implemented in a timelier manner. Vulnerability procedures have been developed and provided to Arvato for a cost. We are currently negotiating a suitable solution with them. Nessus software will provide us with assurance. PSN achieved for 2017. Arvato and CBC are working towards completion of a remediation plan for achievement of PSN in January 2018.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
Health and Safety – November 16	R1 A review of all Health and Safety policies, protocols and guidance should be undertaken to ensure they are up to date and reflect the most current legislation and approved codes of practice.	H	July '17 Revised Date End 2017	**Manager Responsible: Martin Key** **Update August 2017 –** An initial review of the policies has been undertaken and a prioritized list has been produced. It is proposed to significantly rationalize the number of policies to produce a primary policy with embedded links to supporting national guidance and a small number of individual key policies. This work is programmed for completion by the end of 2017.
Health and Safety – November 16	R6 It is essential that the programme of Health and Safety audits are recommenced as soon as possible.	H	30TH June 2017	**Manager Responsible: Martin Key** **Update August 2017 -** The review of the health and safety unit has been completed and reported to SLT. It is proposed to focus on a more formal inspection plan to ensure that health and safety performance and risk is fully evaluated in addition to systems review. A full business case will be developed by October 2017 for a service redesign and this will be considered by CMT in October 2017.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
Health and Safety – November 16	R7 It is essential that the Corporate Asbestos Management Plan is reviewed as soon as possible.	H	May 17	**Manager Responsible: Martin Key** **August 2017 Update –** The surveys of all corporately occupied buildings is now complete and the Keystone system is now operational. Analysis of the survey reports will commence in September using external specialist support to develop a prioritized action plan. In addition the last Asbestos Steering Committee considered a draft management plan which will be further considered at the next meeting on the 2 October 2017.
Health and Safety – November 16	R8 It is essential that the programme of inspections and surveys of the Council-owned non-domestic premises to make a materials assessment for asbestos is commenced as soon as possible.	H	January 2017	**Manager Responsible: Martin Key** **August 2017 Update –** The surveys of all corporately occupied buildings is now complete and the commercially let stock will be complete by the end of September 2017.
Health and Safety – November 16	R11 It must be ensured that the Managing contractors code of practice and related procedures must be adhered to. If departmental failings are identified the appropriate reminders / training should be given	H	March 2017	**Manager Responsible: Martin Key** **August 2017 Update –** A working group has been established to review the managing contractors' procedures. This will address both

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				the process and documentation.
Accounts Payable – March 17	R11 It is essential that a new remittance system is introduced with the removal of the outdated system	H		**Manager Responsible : Kate Harley** **Update August 2017 -** discussions are taking place with Arvato in respect of funding, the specification for the system has been drafted.
Crematorium – May 16	R1 The planned reconciliation between actual memorials in situ and memorial records held electronically / in registers should be undertaken as soon as possible.	M	30th June 207	**Manager Responsible : James Drury** July 17 – started but on-going
Crematorium – May 16	R2 Continued efforts should be made to input details of memorials from the old memorial registered onto the BACAS system to aid with the renewals process.	M	30th June 2017	**Manager Responsible : James Drury** July 17 – on-going
IT Network Security Review/Cyber Security – October 16	R3 ICT need to review secure transfer of data, emails in particular, potentially by configuring the exchange server, ensuring that secure data transfer solution is introduced and that staff are made aware.	M	Awaiting date from supplier March 2018	**Manager Responsible: Rachel O'Neil** **August 207 Update –** A corporate file sharing solution has been implemented. Arvato are working to implement a secure email solution following completion of the ICT review and this will be in place by year end.

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
Health and Safety – November 16	R3 Generic training needs for all employees should be reviewed to ensure training is up to date.	M	February 2017	**Manager Responsible: Martin Key** **August 2017 Update –** The responsibility for ensuring training is identified and implemented sits with the relevant manager. Learning Pool is now live and the key health and safety training has been included.
Health and Safety – November 16	R5 Procedures for monitoring and measuring performance in respect of the Corporate Health and Safety Unit should be identified and reported on a periodic basis.	M	June 2017	**Manager Responsible: Martin Key/ Health and Safety Committee** **August 2017 Update –** The review of the Health and Safety unit has been completed and reported to SLT. A full business case will be developed by October 17 for a service redesign and following that a new set of performance indicators can be considered by the health and safety committee.
Payroll February 17	R8 It should be ensured that all requests for payments are signed an by authorised signatory	M	January 2017	**Manager Responsible : Kate Harley** **Update August 2017:** CBC are in

Audit Recs 2016/17	Recommendations	Priority	Agreed Imp Date	Managers Comments
				the process of compiling a complete list of electronic signatures for checking purposes, this is well under way