



# SOUTH KESTEVEN DISTRICT COUNCIL

## Follow Up 4

Internal audit report 14.21/22

FINAL

1 February 2022

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test, or complete full population testing using data analytics tools.

## Background

We have undertaken a review to follow up on progress made to implement the previously agreed management actions from the following audits:

- 8.20/21 Street Scene – Stock Control; and
- 13.20/21 Secure Remote Working and Operational Resilience.

The 15 management actions considered in this review comprised of medium categorised priority actions. The focus of this review was to provide assurance that all actions previously agreed have been satisfactorily implemented.

## Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion South Kesteven District Council has demonstrated **reasonable progress** in implementing agreed management actions. Our testing has found that five actions have been fully implemented, seven actions have been partially implemented and three actions have been superseded.

Further details of progress made are provided in this report. It is important to note that until a management action is fully implemented, the Council is still exposed to risk.

The following graph highlights the progress made on the actions that have been followed up. Five of the initial 20 actions followed up had no evidence provided by Action Owners and therefore have been excluded from our graph below.



Further details of progress made are provided in this report. It is important to note that until a management action is fully implemented, the Council is still exposed to risk.

## Progress on actions

The following table includes details of the status of each management action:

Implementation status by review	Number of actions agreed	Status of management actions				Confirmation as completed or no longer necessary (1)+(4)
		Impl. (1)	Impl. ongoing (2)	Not impl. (3)	Superseded (4)	
8.20/21 Street Scene – Stock Control	8	2	3	0	3	5
13.20/21 Secure Remote Working and Operational Resilience	7	3	4	0	0	3
<b>Total</b>	<b>15</b>	<b>5</b> <b>(33%)</b>	<b>7</b> <b>(47%)</b>	<b>0</b> <b>(0%)</b>	<b>3</b> <b>(20%)</b>	<b>8</b> <b>(53%)</b>

## 2 FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

### 8.20/21 Street Scene – Stock Control

**Original management action / priority**

Once the stock purchasing and control systems have been implemented:

- Temporary procedural guidance notes on the use of the new system will be put into place.
- The procedural guidance notes will be disseminated to all the relevant staff.
- Training on the new stock control procedures will be provided to all the relevant staff.
- Procedure guidance notes will be amended, and a final version produced when the system is fully embedded.

**Medium**

**Audit finding / status**

The final element of the Council's stock purchasing and control system was implemented week commencing 13 December 2021. However, the system is currently being tested and finalised, ahead of a full go live; therefore, the implementation of this action is currently ongoing.

**2: The action has been partly though not yet fully implemented.**

Management Action 1	Responsible Owner:	Date:	Priority:
Once the system has been fully embedded, the Council will ensure that:	Transport Manager	31 January 2022	Low
<ol style="list-style-type: none"> <li>Training on the new stock control procedures will be provided to all the relevant staff.</li> <li>Procedure guidance notes will be created and disseminated to all staff.</li> </ol>			
<b>Management Update</b> – This action is now complete.			

## 8.20/21 Street Scene – Stock Control

**Original management action / priority** Management will ensure that the stock control system being implemented will address the weakness identified in the control of stock at Street Scene. The expectation is that this will deliver efficiencies which will assist in funding the additional controls required.  
**Medium**

**Audit finding / status** The final element of the Council's stock purchasing and control system was implemented week commencing 13 December 2021. However, the system is currently being tested and finalised, ahead of a full go live; therefore the implementation of this action is currently ongoing.  
**2: The action has been partly though not yet fully implemented.**

<b>Management Action 2</b>		<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
Management will ensure that the stock control system being implemented will address the weakness identified in the control of stock at Street Scene. The expectation is that this will deliver efficiencies which will assist in funding the additional controls required. <b>Management Update</b> – This action is now complete.		Transport Manager	31 January 2022	Low

## 8.20/21 Street Scene – Stock Control

**Original management action / priority** The system will manage parts returned to stock.  
a) When fully implemented any part booked out but not allocated to a job will flag up.  
b) This new process will be communicated to all relevant staff.  
**Medium**

**Audit finding / status** The final element of the Council's stock purchasing and control system was implemented week commencing 13 December 2021. However, the system is currently being tested and finalised, ahead of a full go live; therefore the implementation of this action is currently ongoing.  
**2: The action has been partly though not yet fully implemented.**

<b>Management Action 3</b>		<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
The system will manage parts returned to stock: a) When the software is fully implemented any part booked out but not allocated to a job will flag up. b) This new process will be communicated to all relevant staff.		Transport Manager	31 January 2022	Low

## 8.20/21 Street Scene – Stock Control

**Management Update** – This action is now complete.

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## 13.20/21 Secure Remote Working and Operational Resilience

**Original management action / priority** Management will ensure that firewall rules are reviewed on a regular basis and enquire whether it is possible to configure a notification system to send email alerts when a change is made to the firewall rules or system settings. Additionally, formal change management principles should be applied to all changes to the firewall.

**Medium**

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**Audit finding / status** Discussions with the IT Services Manager identified that the Council's firewalls were replaced in June 2021 and the notification system was amended to send email alerts when a change is made to the firewall rules or system settings, and only imported if required. It was also confirmed that a six monthly review has been scheduled to check this; and a change management module is currently being configured on the new helpdesk system, and all firewall changes will be recorded within this system.

**2: The action has been partly though not yet fully implemented.**

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<b>Management Action 4</b>	The Council will confirm that the management module has been fully implemented on the new helpdesk system, and all firewall changes are being recorded within this system.	<b>Responsible Owner:</b> IT Services Manager	<b>Date:</b> 31 March 2022	<b>Priority:</b> Low
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## 13.20/21 Secure Remote Working and Operational Resilience

**Original management action / priority** Management will ensure that the Council formally documents an IT Management policy, security incident response procedures and response plans. This should outline, as a minimum:

- The roles and responsibilities within IT;
- Definitions of what constitutes an incident;
- Explanation of how incidents are categorised and prioritised;
- Mechanisms for reporting and responding to incidents;
- Mechanisms for capturing the lessons learnt and feeding this back into the policy and processes.

Management will ensure that once the Incident Response Plan is documented, it is tested annually, and the lessons learnt are captured and fed back into the process.

**Medium**

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### 13.20/21 Secure Remote Working and Operational Resilience

**Audit finding / status** Discussions with the IT Services Manager identified that the Council currently have an IT Security Policy, however this is not an overarching document that covers all security incident response procedures and response plans. Discussions also identified that the Council are currently looking at implementing a cyber incident policy, with support from a third party, as currently the Council lack the internal expertise to support this.

**2: The action has been partly though not yet fully implemented.**

<b>Management Action 5</b>	The Council will review the current IT policies in place and assess for any gaps with regards to security incident response procedures and response plans; and where applicable, ensure that these are implemented.	<b>Responsible Owner:</b> IT Services Manager	<b>Date:</b> 31 March 2022	<b>Priority:</b> Low
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### 13.20/21 Secure Remote Working and Operational Resilience

**Original management action / priority** A Change Management Policy and associated procedures will be documented, which outline what constitutes a formal change, an emergency change and approval requirements. In addition, the procedures will fully consider the impacts, risks and interdependencies of each change request.

**Medium**

**Audit finding / status** We obtained a copy of the Council's Change Management Policy and confirmed that this outlines what constitutes a formal change, an emergency change and approval requirements. This also documents the risks included within change requests; however the policy makes reference to a University and therefore requires review and formal approval, prior to this being published and communicated to staff.

**2: The action has been partly though not yet fully implemented.**

<b>Management Action 6</b>	The Council will ensure the Change Management Policy is reviewed and approved and any references to Universities are removed, prior to this being issued to staff members.	<b>Responsible Owner:</b> IT Services Manager	<b>Date:</b> 31 March 2022	<b>Priority:</b> Low
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### 13.20/21 Secure Remote Working and Operational Resilience

**Original management action / priority** Management will ensure that all staff are required to complete training around cybersecurity and acceptable use of IT equipment on their induction and continuously throughout their employment. Once implemented, training compliance should be proactively monitored and escalated where appropriate.  
Management will consider performing annual phishing exercises to test user awareness and to ensure that they remain conscious of cybersecurity issues.

**Medium**

**Audit finding / status** Through discussions with the IT Service Manager, it was confirmed that all staff within the Council had been issued a link to complete training relating to cyber security, from the National Cyber Security Centre. The Council are currently in the process of rolling out a new Learning Management System which will hold all IT training going forwards. Compliance can then be monitored through the system and refresher dates set.  
With regards to performing an annual phishing exercise to test user awareness and to ensure that they remain conscious of cybersecurity issues; we were advised that an executive decision had been made within the Council not to implement this action.

**2: The action has been partly though not yet fully implemented.**

<b>Management Action 7</b>	Training compliance will be proactively monitored through the new Learning Management System with any non-compliance escalated to Line Managers.	<b>Responsible Owner:</b> IT Services Manager	<b>Date:</b> 31 March 2022	<b>Priority:</b> Low
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## APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

## APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented and superseded.

Assignment title	Management actions
8.20/21 Street Scene – Stock Control	<p><b>Implemented</b></p> <p>A Stock Control Framework will be put into place outlining the Council’s approach to stock control.</p> <p>The Framework will be maintained up to date and made available to all to the relevant staff.</p> <p>Priority: Medium</p>
8.20/21 Street Scene – Stock Control	<p><b>Superseded</b></p> <p>The additional costs of implementing a store person and associated stock takes needs to be financially evaluated.</p> <p>Once the systems are fully embedded, we will be in a better position to decide what the most appropriate stock check process will be.</p> <p>For Street Scene stock we will consider:</p> <ul style="list-style-type: none"> <li>a) The type of stock counts for example full stock counts, blind counts etc. and the frequency of the stock counts will be agreed.</li> <li>b) Stock counts will be undertaken in accordance to the type and frequency of stock counts.</li> <li>c) Tolerance levels will be agreed.</li> </ul> <p>After the stocktaking, a review / investigation will take place on the stock variances identified.</p> <p>Priority: Medium</p>
8.20/21 Streetscene – Stock Control	<p><b>Superseded</b></p> <ul style="list-style-type: none"> <li>a) The reconciliation of the stock count to the stock recorded on the stock management system will be completed for SKDC owned stock.</li> <li>b) Any errors/ omissions/ variances will be investigated.</li> </ul> <p>Priority: Medium</p>

Assignment title	Management actions
8.20/21 Streetscene – Stock Control	<p><b>Superseded</b></p> <p>a) Procedures for write-off of obsolete/ damaged stock will be put in place.</p> <p>b) Any identified obsoleted stock will be written off and go through the relevant write off approval process.</p> <p>Priority: Medium</p>
8.20/21 Streetscene – Stock Control	<p><b>Implemented</b></p> <p>An evaluation of the costs of implementing additional physical controls and security compared to the benefits gained needs to be undertaken.</p> <p>Once the new systems are fully embedded and the most appropriate stock levels have been agreed:</p> <p>a) The Council will review its security arrangements for the stock area with a view of restricting access to the stock and to the stock area.</p> <p>b) The value for money of any potential security measures will be considered taking into account the cost of the measures versus the potential losses due to not having them.</p> <p>Once agreed any new security arrangements will be put into place and enforced.</p> <p>The Council no longer holds stock following the change to Fleet Factors as the sole supplier.</p> <p>Priority: Medium</p>
13.20/21 Secure Remote Working and Operational Resilience	<p><b>Implemented</b></p> <p>Management will ensure that regular periodic audits of privileged access will be completed in order to confirm access is commensurate with roles and responsibilities.</p> <p>Priority: Medium</p>
13.20/21 Secure Remote Working and Operational Resilience	<p><b>Implemented</b></p> <p>Management will ensure that regular periodic audits of privileged access will be completed in order to confirm access is commensurate with roles and responsibilities.</p> <p>Priority: Medium</p>

Assignment title	Management actions
13.20/21 Secure Remote Working and Operational Resilience	<p data-bbox="598 201 1901 296"><b>Implemented</b> Management will ensure that the process and associated security practices and standards for provisioning access to the Council's network for third parties are formally documented.</p> <p data-bbox="598 328 1901 392">Management will perform a quarterly review over third party access to ensure that third party network access in excess of required timeframes is investigated.</p> <p data-bbox="598 424 745 450">Priority: Low</p>

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# APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

## Objectives relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how South Kesteven District Council manages the following objective:

### Objective of the area under review

To meet internal auditing standards, and to provide assurance on action taken to address management actions previously agreed by management.

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## Scope of the review

### The following areas will be considered as part of the review:

As part of the approved internal audit periodic plan, we will review the 15 'Medium' management actions agreed in the following Internal Audit reviews:

- 8.20/21 Street Scene – Stock Control; and
- 13.20/21 Secure Remote Working and Operational Resilience.

As part of our audit work, we will carry out testing to confirm implementation of 'Medium' priority management actions but will only obtain management confirmation on the progress made with the 'Low' priority management actions.

### The following limitations apply to the scope of our work:

- Detailed testing will only be carried out on the medium priority management actions;
- We will obtain a management update in relation to low priority management actions, but no detailed testing will be carried out;
- We will not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of these areas;
- Testing will be completed, where appropriate, on a sample basis over the period since actions were implemented or controls enhanced; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

**Debrief held**  
**Draft report issued**  
**Responses received**  
**Final report issued**

20 December 2021  
22 December 2021  
31 January 2022  
1 February 2022

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