MALDON DISTRICT COUNCIL
INTERNAL AUDIT REPORT

IT STRATEGY & TRANSFORMATION
JANUARY 2022

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

IDEAS | PEOPLE | TRUST

BDO

DISTRIBUTION	
Annette Cardy	Resources Specialist Services Manager
Grant Hulley	Lead ICT Specialist

REPORT STATUS LIST	
Auditor:	Awais Farooq – IT Auditor
Dates work performed:	19 November 2021 – 8 December 2021
Draft report issued:	4 January 2022
Final report issued:	20 January 2022

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS):

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions
Operational Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS):

High	0
Medium	2
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 2

CRR/BAF REFERENCE:

R25: Failure to deliver finances associated to transformation programme (current score: 16)

R11: Failure to protect personal or commercially sensitive information (current score: 8)

R19: Failure to manage the impact of organisational change (current score: 6)

R26: Failure to deliver channel shift, through lack of customer engagement or undelivered processes (current score: 4)

BACKGROUND:

A strong IT strategy provides a blueprint of how technology supports and shapes the Council's overall corporate objectives and priorities. Its strategic goals should mirror corporate projects and take into account the needs of key stakeholders including employees, members of the public and third-party business partners.

An appropriate IT Strategy should encompass all facets of technology management, including cost, hardware and software management, vendor management and risk management, taking into consideration the lifecycle of those elements across a period of time, with an annual review to ensure that the contents of the strategy are still aligned to the Council's objectives and priorities. Particularly in light of the Covid-19 global pandemic and the significant impact felt by all organisations worldwide, it is even more important that the Council's IT Strategy is regularly reviewed and updated.

The Council's IT Strategy for 2021 to 2026 was ratified by the Council's Full Committee in April 2021. Responsibility for overseeing the delivery of the IT Strategy has been assigned to the Council's Lead ICT Specialist. As a result of the significant changes in working patterns and practices introduced by the Covid-19 outbreak, the Council is currently in the process of establishing a hybrid working model, with a combination of in-office and remote working. The IT strategy establishes how technology provision will be shifted from full on-site working to a combination including remote working.

The purpose of this review was to provide assurance that key controls have been established to ensure that the Council's IT strategy is appropriately designed and embedded within the Council's operations and that action plans and objectives are implemented in order to support the achievement of wider corporate objectives.

GOOD PRACTICE:

The following areas of good practice were noted during our review:

- The Council has a "Corporate Plan 2021-2023" in place which includes the key three themes: Place, Prosperity and Community and the key outcomes are outlined within these themes. Additionally, the plan has a focus on Performance and Value, ensuring a strong approach to finance, governance and holds the Council and their partners to account to deliver clear outcomes for the local district.

- The Council has a "High Level ICT Strategy 2021-26" document in place which has been approved by the Performance, Governance and Audit Committee (PG&A) and ratified by the Strategy and Resources Committee in June 2021. The strategy was then further approved by the Full Council, also in June 2021.

- The Council has a CLT Steering Group and ELT Project Board in place for high-level management and to oversee the delivery of all transformation projects across the Council. The Project Management Office (PMO) provides monthly headline reports to the CLT, to agree and sign off projects. The CLT then provides a summary of the steering group decisions to the ELT.

- The Project Management Office (PMO) maintains regular communication lines with the project managers to provide leadership support, oversight and guidance and provides assurance to the CLT on the operational aspects of the transformation projects across the Council.

- The Council maintains a PMO active project (POAP) register which includes the status of all the ICT transformation projects completed, nearing completions and currently underway. The POAP identifies the project owner/manager, start and end dates, ongoing and one-off costs, current status and updates.

- Our review of monthly PMO headline reports and ELT and CLT meeting minutes confirmed that the progress on individual projects is regularly monitored and reported upon including current status, business drivers, current stage, RAG rating (previous and current), overall risk and actual vs budgeted spend.

KEY FINDINGS:

During our review, the following areas for improvement were identified:

- Whilst the ICT Strategy thoroughly details the Council's IT transformation programme, we found that it is not linked to the Council's corporate plan, and does not include a strategy roadmap with targeted timelines, agreed milestones, financial evaluation arrangements and benefit realisation plans (Finding 1 – Medium)

- We found that the Council has not formally documented the governance arrangements and the objectives relating to the delivery of the strategy. Furthermore, our sample testing of six ICT projects confirmed that project initiation documents (PIDs) and closure reports were not sufficiently retained or completed, and project progress was not regularly reported upon to senior management (Finding 2 – Medium)

CONCLUSION:

We raised two medium priority recommendations to improve the Council's arrangements for the development, ongoing monitoring and delivery of its IT Strategy. The Council has an overall robust control environment, derived primarily from informally defined responsibilities for the two boards overseeing the Council's IT strategic direction.

However, the gaps identified in the strategy document and the governance arrangements could impact the Council's ability to achieve its IT and digital objectives in line with its wider corporate plan and strategic expectations. Consequently, we conclude moderate assurance over both the design of the Council's IT strategy controls and their operational effectiveness.

DETAILED FINDINGS

RISK: THE STRATEGY IS NOT ALIGNED TO THE REQUIREMENTS OF THE COUNCIL'S STRATEGIC DIRECTION AND INADEQUATE ARRANGEMENTS TO SUPPORT THE DELIVERY OF COUNCIL'S IT STRATEGY IN ALIGNMENT WITH THE COUNCIL'S OBJECTIVES

Ref Significance Finding

1.	Medium	*ICT Strategy 2021-26*

The Council has a "High Level ICT Strategy 2021-26" document in place which was approved by the "Performance, Governance and Audit Committee (PGA)" and Strategy and Resources Committee in June 2021.

The strategy documents a transformation programme and lists the current ICT infrastructure, the improvements required to support changes in the current infrastructure, Covid-19 changes such as remote working and the role of ICT. The strategy also lists the key transformation projects currently underway and future projects between the period 2022 to 2026.

Whilst the ICT Strategy thoroughly details the Council's transformation programme, we found that it is not linked to the Council's corporate plan and vision statement, and does not include a strategy roadmap, guiding principles, financial evaluation, budgeting, communication and resource allocation arrangements, and benefit realisation plans.

In the absence of a comprehensive IT strategy detailing all of the above elements, there is a risk that the management, governance and delivery of the Council's IT services and transformation projects is not in line with the Council's corporate plan, objectives and strategic direction.

RECOMMENDATION:

1.1 Management should review and update the current ICT strategy to document the missing elements identified above, including the Council's IT expectations and objectives, how these link to corporate strategic objectives and policies and procedures underpinning the strategy.

1.2 Management should identify and update or develop the associated policies, procedures (e.g. IT procurement, disposal, retention, backup) and the control framework in supporting the delivery of the strategy and to support the objectives of the strategy.

1.3 Management should ensure that service areas and Senior Management are actively involved and communicated to in accordance with the Council's existing governance arrangements.

MANAGEMENT RESPONSE:

1.1 The Strategy provides an overview of IT aims and sets out what items will be delivered each year. A pictorial roadmap will be attached to show the journey. This is used to provide a simple overview to senior managers, stakeholders and Members. Adding a great deal of detail will make it more unmanageable.

Instead, the IT Strategy links to a Projects document which details the finances and each project is managed via our Performance Management Office (PMO) which details financial evaluation, budgeting, communication, resource allocation arrangements and benefit realisation for each project.

1.2 The governance framework is in place to support the Strategy with the responsibility for delivery within the requirements of the senior management roles and facilitated by monthly review meetings and the above mentioned PMO controls.

The associated policies are in place with items such as disposal and back up within Financial policies, Disaster Recovery, etc. These will be linked back and referenced in the Strategy for clarity.

1.3 Senior managers were consulted with in the development of the and reviewed the draft Strategy before finalised. As service area IT projects are initiated those areas are engaged and provide specialist service area knowledge and review.

Actions: 1.1 Pictorial Roadmap of the IT deliverables and link to Corporate Plan

            1.2 Update of Strategy to reference and link key policies and procedures

Responsible Officer: Grant Hulley

Implementation Date: March 2022

RISK:	**DELIVERY OF THE IT STRATEGY NOT MONITORED AND REPORTED AT ROUTINE INTERVALS TO KEY STAKEHOLDERS, INCLUDING SENIOR MANAGEMENT, AND KEY PERFORMANCE INDICATORS HAVE NOT BEEN DEFINED TO MEASURE PROGRESS AND PERFORMANCE AGAINST THE IT STRATEGY**	

Ref	Significance	Finding
2.	Medium	

Governance Arrangements & KPIs

The Council has not formally documented the governance arrangements relating to the delivery of the strategy, however relevant boards are in place to ensure all transformation projects across the Council including ICT projects are regularly monitored and reported upon.

We found that informal terms of references for the ELT and CLT are in place, attached in Appendix I & II, documenting the frequency of the meetings, representations/attendees, monitoring requirements roles and responsibilities of the participants.

Management confirmed that while formal KPIs have not been documented for delivery of the ICT strategy, each individual transformation project has its own KPIs and milestones defined, which are reported to the ELT during monthly meetings (an informal process flow is attached in Appendix III), as follows:

CLT Steering Group

At the start of each project, the PMO presents project initiation documents such as "Project on a Page", "Business Cases" and "PIDs" to the CLT during monthly meetings to:

- gain approval of the project scope, pathway and funding/budgets
- identify resources, dependencies, risks
- agree project timelines and milestones
- define roles & responsibilities and benefits (what success looks like)

The PMO presents "Closure reports" to the CLT to review and either confirm or challenge the closure of a project.

ELT Project Board

The PMO presents a monthly project headline report (excel spreadsheet) at each ELT meeting to:

- monitor performance against budgets, KPIs and milestones
- sign off change requests
- address potential issues with the project delivery

Project Headline Reporting

Our review of monthly headline reporting confirmed that it reports on current status, RAG rating, project start and end dates, budget vs actual and financial savings.

We found that no other KPIs or milestones have been identified or are reported upon to the ELT.

Sample Testing *(Documentation)*

As part of our testing, six ICT projects were selected to review the documentation held at the project level to ensure these have been managed and monitored in line with the above informal process. The testing identified the following exceptions:

- For five of the six projects, the "Project Brief/PID", "Implementation Plan" and "Project Headline Report" did not exist
- For two of the six projects, which are complete or nearing completion, the "Closure Reports" did not exist

Sample Testing *(Monitoring & Reporting)*

Management confirmed that three out of the six projects were too small for the

PMO to monitor and thus the progress is not tracked. These include:

- Laptop and Tablet Stock
- Veeam Software Upgrade and Configuration
- Software Decommissioning

However, we found that the other three ongoing projects were not reported in the October 2021 and November 2021 "Project Headline Reporting" to the ELT as follows:

- "Datacentre Upgrade" (started in January 2021), was last reported in February 2021
- "Mitel Project-Ignite/Call Secure" (started in July-2021), was last reported in July-2021.
- "SharePoint" (started in October-2021), was last reported in April-2021.

If strategy objectives are not communicated effectively, there is a risk that service areas are not sufficiently engaged in and support with the delivery of the strategy.

The absence of defined governance arrangements and clear objectives that clearly link back to the IT strategy increases the risk that progress against the delivery is not appropriately and accurately reported to Senior Management and no action is taken to improve areas that adversely impact the delivery of the strategy and the achievement of its objectives.

RECOMMENDATION:

2.1 Management should put arrangements in place for Senior Management review of the IT Strategy on a frequent basis to assess progress against each of the Strategy's objectives.

2.2 Arrangements should be put in place for monitoring, measuring and evaluating IT performance and service delivery against the Strategy on a routine basis (quarterly) to identify opportunities for improving areas of poor performance.

2.3 The strategic objectives should also be reviewed and, where necessary, updated on a routine basis (biannually/annually) to ensure that they are still appropriate and in line with the expectations of the Council.

MANAGEMENT RESPONSE:

Monthly review of IT strategy by Resources Manager and Director in place to ensure delivery and in line with Council objectives. As IT developments are fast paced changes in year can be made to the Strategy in agreement with the Resources manager once these are assessed for suitability to MDC

Responsible Officer: Annette Cardy

Implementation Date: Complete

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Annette Cardy	Resources Specialist Services Manager
Grant Hulley	Lead ICT Specialist

APPENDIX I – CLT STEERING GROUP

ROLES & RESPONSIBILITIES

CLT Steering Group

Attendees required - CLT, IT, PMO representatives and Project Managers presenting on new or closing projects

Frequency – monthly – a week before the project board

Documents presented – Project on a Page, Business Cases, PIDs and Closure Reports

Role of participants:
- Robustly challenge new project ideas
- Identify any resource challenges and dependencies (not previously recognised)
- Identify ways to resource and fund new projects
- Reject new projects that have insufficient information or don't align with corporate priorities
- Identify potential risks
- Agree timelines, project scope, budget, roles & responsibilities, benefits and what success looks like
- Decide on project pathway – does it need to go to members, is more information needed, is a business plan needed, can it be approved as a new project
- Review closure reports for projects and either confirm or challenge the closure
- Manage project reporting issues and challenges identified during project board

Results and updates to be summarised and presented at the next project board

APPENDIX II – ELT PROJECT BOARD

ROLES & RESPONSIBILITIES

ELT Project Board

Attendees required – ELT and those managing projects

Frequency – monthly – a week after the CLT Steering Group

Documents presented - Highlight reports (all RAG status' to present)

Changes to current agenda:
- An update will be given at the start with a summary from the CLT Steering Group – which projects have gone live, which require more information and which have closed
- All projects will now present a highlight report regardless of RAG status
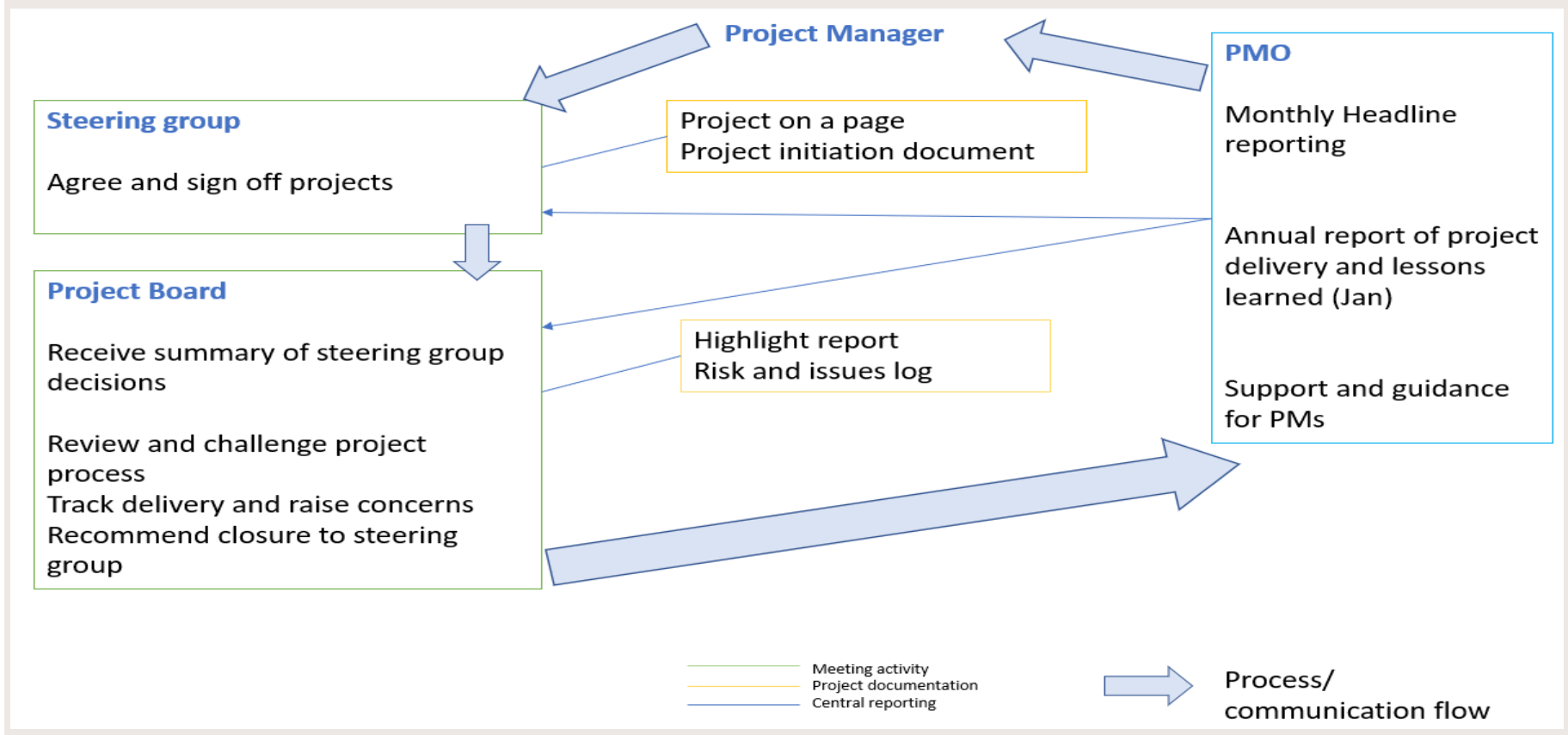- POAP and closure reports will only be presented to the CLT Steering Group

Roles of participants
- Robustly query and challenge elements of the project including
    - Delivery, timeline, budget, resource impacts, roles and responsibilities, benefits, what success looks like
- Sign off change requests
- Identify risks and issues (based on experience of own service and also wider considerations)
- Challenge RAG status – do you feel the RAG reported reflects the status of the project
- Identify next steps with project delivery and help address potential resource issues
- As projects reach closure – refer project managers to the steering group to present a closure report

Non-reporting projects will be referred to the CLT steering group

APPENDIX III – GOVERNANCE PROCESS (COUNCIL WIDE)

COMMUNICATION FLOW

Project Manager

PMO

Steering group

Agree and sign off projects

Project on a page
Project initiation document

Monthly Headline reporting

Annual report of project delivery and lessons learned (Jan)

Project Board

Receive summary of steering group decisions

Review and challenge project process
Track delivery and raise concerns
Recommend closure to steering group

Highlight report
Risk and issues log

Support and guidance for PMs

Meeting activity
Project documentation
Central reporting

Process/
communication flow

APPENDIX IV – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX V - TERMS OF REFERENCE

PURPOSE OF REVIEW

The purpose of our review will be to provide assurance that key controls have been established to ensure that the Council's IT Strategy is appropriately designed and embedded within the Council's operations and that action plans and objectives are implemented in order to support the achievement of wider corporate objectives.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management and our collective audit knowledge and understanding, the potential key risks associated with the area under review include:

- IT governance arrangements are not in accordance with the Council's strategic objectives and there is no defined reporting and oversight structure in place
- The Council has no ratified strategy in place for its IT services or the strategy is not aligned to the requirements of the Council's strategic direction
- The IT Strategy has not been communicated to and understood by all relevant stakeholders and Council service areas are not sufficiently engaged in the delivery of the strategy
- There are inadequate arrangements in place to support the delivery of the Council's IT Strategy, including resource management and prioritisation criteria to ensure alignment with the Council's strategies and objectives
- Delivery of the IT Strategy is not monitored and reported at routine intervals to key stakeholders, including Senior Management, and Key Performance Indicators (KPIs) have not been defined to measure progress and performance against the IT Strategy

SCOPE OF REVIEW:

The following areas will be reviewed as part of this audit:

- IT Strategy Objectives: review the design of the IT Strategy and how it links to wider corporate objectives and priorities.
- Roles and Responsibilities: assess whether key stakeholders are aware of their roles and responsibilities and are appropriately equipped to deliver against objectives
- Policies and Procedures: review the effectiveness of associated policies, procedures and the control framework
- IT Strategy delivery and performance monitoring: assess the operation of key controls in the strategy and the arrangements for monitoring the delivery of the strategy and reporting to key stakeholders
- Strategy buy-in: assess how the Council as a whole has bought into the IT Strategy and how other service areas within the Council interact with the Strategy and understand its objectives.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

FOR MORE INFORMATION:

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