



Stevenage Borough Council
Audit Committee

20 November 2018

Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Note the Status of Critical and High Priority Recommendations

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1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2018/19 Internal Audit Plan as at 2 November 2018.
 - The findings for the period 1 April 2018 to 2 November 2018.
 - The proposed amendments required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information as at 2 November 2018.

Background

- 1.2 Internal Audit's Annual Plan for 2018/19 was approved by the Audit Committee at its meeting on 26 March 2018. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 2 November 2018, 51% of the 2018/19 Audit Plan days had been delivered (calculation excludes contingency days that have not yet been allocated).
- 2.2 As at 2 November 2018, the following projects have been finalised:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
CSC Complaints Handling	August 2018	Substantial	One Medium, One Merits Attention
CCTV (joint internal audit)	August 2018	Limited	Nine High
Emergency Planning	August 2018	Good	None
Data Quality	Sept 2018	Satisfactory	One Medium, Two Low/Advisory
Cyber Security (2017/18 project)	Sept 2018	Limited	Three High, Two Medium

DFG Grant Certification	October 2018	N/A	N/A
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- 2.3 The table below also summarises the position with regard to 2018/19 projects as at 2 November 2018. Appendix A provides a status update on each individual project within the 2018/19 Internal Audit Plan. Details of start dates for the individual projects are also shown in Appendix C.

Status	No of Audits at this Stage	% of Total Audits
Final Report Issued	5	15%
Draft Report Issued	5	15%
In Fieldwork/Quality Review	6	18%
In Planning/Terms of Reference Issued	7	21%
Allocated	10	31%
Cancelled	0	0%
Total	33	100%

Proposed Audit Plan Amendments

- 2.4 There has been no change to the Audit Plan since it was approved on 26 March 2018.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2018/19 annual performance indicators were approved at the SIAS Board meeting in March 2018. Targets were also agreed by the SIAS Board for the majority of the performance indicators.
- 2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 2 November 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	46% (159/347 days)	51% (178.5/347 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	36% (12/33 projects)	30% (10/33 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (7 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (12 High agreed) Note (2)

Note (1) - 3 of those received in 2018/19 relate to 2017/18 projects.

Note (2) - 3 of the 12 recommendations relate to a 2017/18 project.

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN AT 2 NOVEMBER 2018

2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 75 days									
Main Accounting System (General Ledger)						6	Yes	0	Allocated
Debtors						10	Yes	0	Allocated
Creditors						12	Yes	0	Allocated
Treasury Management						6	Yes	0.5	In Planning
Payroll						12	Yes	0	Allocated
Council Tax						6	Yes	6	Draft Report Issued
NDR						6	Yes	0.5	ToR Issued
Housing Benefits						6	Yes	1	In Fieldwork
Cash and Banking						5	Yes	5	Draft Report Issued
Housing Rents						6	Yes	0	Allocated
Operational Audits – 124 days									
Data Quality	Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
GDPR – Post Implementation Review						10	Yes	10	Draft Report Issued
Land Charges						7	Yes	2.5	ToR Issued
Emergency Planning	Good	0	0	0	0	10	Yes	10	Final Report Issued
Street Cleansing						15	Yes	15	Draft Report Issued
CCTV – joint review	Limited	0	9	0	0	12	Yes	12	Final Report Issued
Development Management						10	Yes	1.5	ToR Issued
Homelessness Reduction Act						10	Yes	0	Allocated
Debt Recovery						12	Yes	10	In Quality Review
Anti-Social Behaviour						10	Yes	2	In Planning
Herts Home Improvement Agency						2	Yes	1.5	In Fieldwork
DFG Capital Grant Certification	N/A	0	0	0	0	1	Yes	1	Final Report Issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Digital – Connected to our Customers						10	Yes	5	ToR Issued
Procurement, Contract Management and Project Management – 24 days									
Refurbishment Contract						12	Yes	1	In Planning
Housing Development Schemes						12	Yes	5.5	In Fieldwork
Risk Management and Governance – 10 days									
Risk Management						5	Yes	0	Allocated
Corporate Governance						5	Yes	0	Allocated
IT Audits – 30 days									
Cyber Security – (TSS Improvement Plan – Security)						6	Yes	0	Allocated
Incident Management / Major Incident Review Follow-up (TSS Improvement Plan – Resilience)						6	Yes	0	Allocated
Mobile Device Management and BYOD						6	Yes	6	Draft Report Issued
TSS Improvement Plan - Governance						12	Yes	10	In Quality Review
Shared Learning and Joint Reviews – 6 days									
Shared Learning						2	Yes	2	In Progress
Joint Reviews - tbd						4	No	0	Not yet allocated
Ad Hoc Advice – 5 days									
Ad Hoc Advice						5	No	3.5	Through Year
Follow-up Audits – 10 days									
Repairs and Voids Service						10	Yes	2.5	In Fieldwork
Completion of 17/18 Projects – 20 days									
CSC Complaints Handling	Substantial	0	0	1	1	10	Yes	10	Final Report Issued
Other						10	Yes	10	Final Reports Issued
Contingency – 3 days									

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Contingency						3	No	0	Not yet allocated
Strategic Support – 43 days									
Annual Report and Head of Internal Audit Opinion 2017/18						3		3	Complete
Audit Committee						10		8.5	Through Year
Client Liaison						8		6	Through Year
Liaison with External Audit						2		1	Through Year
Monitoring						10		5.5	Through Year
SIAS Development						5		5	Through Year
2019/20 Audit Planning						5		0	Through Year
SBC TOTAL		0	9	2	3	350		178.5	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
1.	CCTV (joint review).	We recommend that the governance framework for the overall CCTV Partnership is reviewed and confirmed as being fit for purpose, or changed as necessary, and is clearly understood by all parties, including the respective roles and responsibilities of the relevant Members and Officers.	We will draft a governance framework for the overall CCTV arrangements to include: <ul style="list-style-type: none"> - Governance for Hertfordshire CCTV Partnership - Governance for Hertfordshire CCTV Partnership Ltd. - Governance lines between the Partnership and the Company - Member roles and responsibilities - Officer roles and responsibilities These will be consulted on and agreed by the CCTV Joint Executive and the Company Board of Directors.	CCTV Joint Executive and Company Board of Directors.	1 December 2018.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
2.	CCTV (joint review).	We recommend that an appropriate new Partnership Agreement between the current four CCTV Partner Authorities is drawn up and executed. It should clearly include the	We will prepare an updated CCTV Partnership Agreement drafted through the CCTV Officer Management Board to be signed by all four Partner Authorities.	CCTV Officer Management Board.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		specific roles and responsibilities of the Partner Authorities. It should also clearly state the relationship the Partner Authorities have with Hertfordshire CCTV Partnership Ltd. and the function of that company in respect of the overall CCTV Partnership.					
3.	CCTV (joint review).	We recommend that the current Shareholders' Agreement for the Company is reviewed to ascertain if it remains fit for purpose and, if so, that the terms are fully complied with.	The Company Directors' will consider this recommendation through their Shareholder Representatives in light of future considerations relating to the future of Hertfordshire CCTV Partnership Ltd.	Company Board of Directors.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
4.	CCTV (joint review).	We recommend that appropriate revised / new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are drawn up and formally agreed.	Terms of Reference will be updated for the CCTV Joint Executive and a Terms of Reference will be created for the CCTV Officer Management Board.	CCTV Joint Executive and CCTV Officer Management Board.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
5.	CCTV (joint review).	We recommend that, once agreed, the	New Terms of Reference will be	Each of the four Partner	31 July 2019.	This is a new addition and the management	Not yet implemented – continue to monitor.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		revised/new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are revised / added in the Constitutions for each of the four Partner Authorities, together with the updated Member/Officer representation for both groups.	submitted for formal incorporation into constitutional arrangements for the four Partner Authorities.	Authorities.		response opposite is therefore the latest comment.	
6.	CCTV (joint review).	We recommend that a new five year Business Plan for the overall CCTV Partnership is drawn up and agreed. As a minimum, the plan should be monitored on a monthly basis in terms of achievements against projections and it should be the subject of a full review and refresh annually to cover the next five years ahead on a rolling basis. Besides financial projections, it should include non-financial aims and targets that should be monitored, reviewed and refreshed on the same basis.	We will develop a new five year rolling Business Plan (with monthly monitoring and full annual reviews) for the overall Hertfordshire CCTV Partnership based on decisions about the future direction of Hertfordshire CCTV Partnership Ltd.	CCTV Joint Executive and Company Board of Directors.	31 July 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
7.	CCTV (joint review).	We recommend that the role and responsibilities of the SBC Group Accountant in respect of the overall CCTV Partnership are reviewed, evaluated and formerly confirmed. Consideration should be given to increased use of the external Accountants with regard to the accounting requirements of Hertfordshire CCTV Partnership Ltd.	The role of the SBC Group Accountant in relation to the overall Partnership will be clarified in the revised Partnership Agreement. The Company Directors will consider the accountancy needs of the Company and source appropriately.	CCTV Officer Management Board, Company Board of Directors and SBC Assistant Director, Finance & Estates.	31 July 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
8.	CCTV (joint review).	We recommend that all reporting arrangements for the Partner Authorities are formally reassessed, agreed and documented to ensure there is complete clarity and transparency of expectations and understanding across all interested parties regarding the need, responsibility, frequency, timing, content, format and distribution of each report required.	Authority reporting arrangements to be included as part of a revised Partnership Agreement, Shareholder Agreement and Terms of Reference as necessary.	CCTV Joint Executive, CCTV Officer Management Board and Company Board of Directors as appropriate.	31 July 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
9.	CCTV (joint review).	We recommend that there is a review of how charges are being calculated and billed to the Partner Authorities, clarification of who is responsible for this and agreement of the timing.	A schedule of charges to be prepared for the Partnership. The schedule will identify recharges applied to the Partnership, including; staffing, overheads, IT, etc. The schedule will also include recharges applied to Hertfordshire CCTV Partnership Ltd. A quarterly finance report to be prepared for the CCTV Officer Management Board, to include year-end financial projections for the Partnership.	SBC Assistant Director, Finance & Estates.	1 November 2018.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.
10.	Cyber Security	The Council must define its position regarding its ability to identify and manage devices that are connecting to its IT network. A solution must be able to manage devices that have physically connected to the Councils' IT networks. Devices that have connected to the network should be	This will be resolved with the correct solution not only for devices but also for ports on all devices that need to be restricted.	Strategic ICT Partnership Manager.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

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		<p>reviewed and, where they are found to have not been authorised, they should be removed. The solution should include the use of personal devices to connect to the IT network.</p> <p>Furthermore, management should put arrangements in place to monitor network access on a regular basis.</p>					
11.	Cyber Security	<p>Management should perform a full review of the Councils' perimeter firewall rules and, where necessary, remove inactive or unnecessary rules unless explicitly required. The 'Any' rules should be replaced with port object groups that contain an explicit set of ports as required for the rule.</p> <p>Management should also ensure that all users that have access and can make changes to any of the Councils' external firewall rules have individual accounts</p>	<p>The majority of the council's firewalls need replacing and part of that work will require the correct configuration and management. ICT Partnership Manager has been tasked to restructure the ICT department and as part of that to have dedicated security and network staff to resolve and maintain control of these areas.</p>	Strategic ICT Partnership Manager.	31 March 2019.	This is a new addition and the management response opposite is therefore the latest comment.	Not yet implemented – continue to monitor.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (2 November 2018)
		<p>and should put arrangements in place for monitoring all configuration changes. Furthermore, management should establish a record of how all firewalls, both internal and external, have been configured and should review the rules for appropriateness on a routine basis.</p>					
12.	Cyber Security	<p>Management must complete the action on the IT Improvement Plan to migrate all IT services and systems onto servers that are running supported operating systems. Furthermore, the Councils' patch management procedures should be approved and made available to all relevant members of staff.</p>	<p>This is in the current work schedule which means that all servers running supported OS will be removed from the network by the end of September.</p>	<p>Strategic ICT Partnership Manager.</p>	<p>30 September 2018.</p>	<p>This is a new addition. November 2018 - The council is now running supporting operating systems and software. IT also has ongoing plans to move off operating systems which will be going out of support in coming years. IT has automated patch management where possible, and where not these are manually applied by ICT staff. In general all staff need to know is when they need to reboot devices, so outside of ICT there is no requirement for staff to see or approve patch management procedures.</p>	<p>Partially implemented – continue to monitor.</p>

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2018 TO MARCH 2019) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2017/18 Audit – Other (Final Reports Issued)	Mobile Device Management and BYOD (Draft Report Issued)	Emergency Planning (Final Report Issued)	Repairs and Voids Service (Follow up) (In Fieldwork)	Debt Recovery (In QR)	DFG Capital Grant Certification (Final Report Issued)
CSC Complaints Handling (Final Report Issued)	Data Quality (Final Report Issued)	TSS Improvement Plan Governance (b/f from Jan) (In QR)	Street Cleansing (Draft Report Issued)	GDPR – Post Implementation Review (Draft Report Issued)	Herts Home Improvement Agency (b/f from Feb) (In Fieldwork)
CCTV – joint internal audit (Final Report Issued)					Refurbishment Contract (In Planning)

Oct	Nov	Dec	Jan	Feb	Mar
Cash and Banking (b/f from Nov) (Draft Report Issued)	NDR (ToR Issued)	Housing Rents (Allocated)	Debtors (Allocated)	Corporate Governance (Allocated)	Risk Management (Allocated)
Council Tax (Draft Report Issued)	Treasury Management (In Planning)	Payroll (Allocated)	Creditors (Allocated)	Cyber Security (Allocated)	
Housing Benefits (In Fieldwork)	Anti-Social Behaviour (Deferred from May) (In Planning)	Digital - Connected to our Customers (Deferred from June) (ToR Issued)	Incident Management – Major Incident Review / IT Disaster Recovery Follow-up (Allocated)	Homelessness Reduction Act (Allocated)	
Housing Development Schemes (In Fieldwork)	Main Accounting System (Deferred from October) (Allocated)		Development Mgmt. (Deferred from Sept) (ToR Issued)	Land Charges (Deferred from August) (ToR Issued)	

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level		Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.