# Stevenage Borough Council
# Audit Committee

# 19 March 2019

# Shared Internal Audit Service – Progress Report

# Recommendation

Members are recommended to:
a) Note the Internal Audit Progress Report
b) Approve Amendments to the Audit Plan as at 1 March 2019
c) Note the Status of Critical and High Priority Recommendations

# Contents

# Appendices:

# 1 Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with:

a)  The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2018/19 Internal Audit Plan as at 1 March 2019.
b)  The findings for the period 1 April 2018 to 1 March 2019.
c)  The proposed amendments required to the approved Internal Audit Plan.
d)  The implementation status of previously agreed audit recommendations.
e)  An update on performance management information as at 1 March 2019.

<u>Background</u>

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

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 1 March 2019, 95% of the 2018/19 Audit Plan days have been delivered (calculation excludes contingency days that have not yet been allocated).

2.2   Final reports for the following audits and projects have been issued or completed since the last Audit Committee:

| Audit Title | Date of Issue | Assurance Level | Number of Recommendations |
|---|---|---|---|
| Risk Management | February 2019 | Good | None |
| Corporate Governance | February 2019 | Good | None |
| Creditors | March 2019 | Good | Two Low/Advisory |
| Development Management | March 2019 | Good | One Low/Advisory |
| Housing Development | March 2019 | Good | None |

2.3     The table below also summarises the position with regard to 2018/19 projects as at 1 March 2019. 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 | 19 | 58% |
| Draft Report Issued | 7 | 21% |
| In Fieldwork/Quality Review | 5 | 15% |
| In Planning/Terms of Reference Issued | 0 | 0% |
| Allocated | 0 | 0% |
| Deferred/Cancelled | 2 | 6% |

| | | |
|---|---|---|
| Total | 33 | 100% |

Proposed Audit Plan Amendments

2.4     The audit of Land Charges, due to be undertaken during March 2019, has been deferred until July 2019 and the audit days returned to contingency. This is due to staff having insufficient availability in the period leading up to the local elections in May. In addition the audit of Homelessness Reduction Act, due to be undertaken in March 2019, has been deferred until June 2019 and the audit days returned to contingency. Provision for both audits has been made in the Proposed Audit Plan for 2019/20.

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 1 March 2019 |
|---|---|---|---|
| **1. Planned Days** – percentage of actual billable days against planned chargeable days completed | 95% | 90% (310/335 days) | 95% (317.5/335 days) |
| **2. Planned Projects** – percentage of actual completed projects to draft report stage against planned completed projects | 95% | 84% (26/31 projects) | 84% (26/31 projects) |
| **3. Client Satisfaction** – percentage of client satisfaction questionnaires returned at 'satisfactory' level | 100% | 100% | 100% (11 received) Note (1) |
| **4. Number of Critical and High Priority Audit Recommendations agreed** | 95% | 95% | 100% (9 High agreed) |

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

**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 | 6 | Draft Report Issued |
| Debtors | | | | | | 10 | Yes | 4.5 | In Fieldwork |
| Creditors | Good | 0 | 0 | 0 | 2 | 12 | Yes | 12 | Final Report Issued |
| Treasury Management | Good | 0 | 0 | 0 | 0 | 6 | Yes | 6 | Final Report Issued |
| Payroll | | | | | | 12 | Yes | 12 | Draft Report Issued |
| Council Tax | Good | 0 | 0 | 0 | 1 | 6 | Yes | 6 | Final Report Issued |
| NDR | Good | 0 | 0 | 0 | 0 | 6 | Yes | 6 | Final Report Issued |
| Housing Benefits | Good | 0 | 0 | 0 | 0 | 6 | Yes | 6 | Final Report Issued |
| Cash and Banking | Good | 0 | 0 | 0 | 0 | 5 | Yes | 5 | Final Report Issued |
| Housing Rents | | | | | | 6 | Yes | 6 | Draft Report Issued |
| **Operational Audits – 111 days** | | | | | | | | | |
| Data Quality | Satisfactory | 0 | 0 | 1 | 2 | 15 | Yes | 15 | Final Report Issued |
| GDPR – Post Implementation Review | Good | 0 | 0 | 1 | 0 | 10 | Yes | 10 | Final Report Issued |
| Land Charges | N/A | | | | | 2 | Yes | 2 | Deferred |
| Emergency Planning | Good | 0 | 0 | 0 | 0 | 10 | Yes | 10 | Final Report Issued |
| Street Cleansing | Limited | 0 | 0 | 6 | 0 | 15 | Yes | 15 | Final Report Issued |
| CCTV – joint review | Limited | 0 | 9 | 0 | 0 | 12 | Yes | 12 | Final Report Issued |
| Development Management | Good | 0 | 0 | 0 | 1 | 10 | Yes | 10 | Final Report Issued |
| Homelessness Reduction Act | N/A | | | | | 2 | Yes | 2 | Deferred |
| Debt Recovery | | | | | | 12 | Yes | 10 | In Quality Review |
| Anti-Social Behaviour | | | | | | 10 | Yes | 10 | Draft Report Issued |
| Herts Home Improvement Agency | | | | | | 2 | Yes | 2 | Draft Report Issued |
| DFG Capital Grant Certification | N/A | 0 | 0 | 0 | 0 | 1 | Yes | 1 | Final Report Issued |

| 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 | 10 | Draft Report Issued |
| **Procurement, Contract Management and Project Management – 24 days** | | | | | | | | | |
| Refurbishment Contract | Good | 0 | 0 | 0 | 0 | 12 | Yes | 12 | Final Report Issued |
| Housing Development Schemes | Good | 0 | 0 | 0 | 0 | 12 | Yes | 12 | Final Report Issued |
| **Risk Management and Governance – 10 days** | | | | | | | | | |
| Risk Management | Good | 0 | 0 | 0 | 0 | 5 | Yes | 5 | Final Report Issued |
| Corporate Governance | Good | 0 | 0 | 0 | 0 | 5 | Yes | 5 | Final Report Issued |
| **IT Audits – 30 days** | | | | | | | | | |
| Cyber Security Follow-up – (TSS Improvement Plan – Security) | | | | | | 6 | Yes | 5 | In Quality Review |
| Incident Management / Major Incident Review Follow-up (TSS Improvement Plan – Resilience) | | | | | | 6 | Yes | 5 | In Quality Review |
| Mobile Device Management and BYOD | Satisfactory | 0 | 0 | 2 | 1 | 6 | Yes | 6 | Final Report Issued |
| TSS Improvement Plan – Governance | | | | | | 12 | Yes | 12 | Draft Report Issued |
| **Shared Learning and Joint Reviews – 6 days** | | | | | | | | | |
| Shared Learning | | | | | | 2 | Yes | 2 | Through Year |
| Joint Reviews – tbd | | | | | | 4 | No | 2 | Through Year |
| **Ad Hoc Advice – 5 days** | | | | | | | | | |
| Ad Hoc Advice | | | | | | 5 | No | 4 | Through Year |
| **Follow-up Audits – 10 days** | | | | | | | | | |
| Repairs and Voids Service | | | | | | 10 | Yes | 9 | In Quality Review |
| **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 – 15 days** | | | | | | | | | |

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|---|---|---|---|---|---|---|---|---|
| | | C | H | M | LA | | | | |
| Contingency | | | | | | 15 | No | 0 | Not yet allocated |
| **Strategic Support – 44 days** | | | | | | | | | |
| Annual Report and Head of Internal Audit Opinion 2017/18 | | | | | | 3 | | 3 | Complete |
| Audit Committee | | | | | | 11 | | 10 | Through Year |
| Client Liaison | | | | | | 8 | | 7.5 | Through Year |
| Liaison with External Audit | | | | | | 2 | | 1 | Through Year |
| Monitoring | | | | | | 10 | | 8.5 | Through Year |
| SIAS Development | | | | | | 5 | | 5 | Through Year |
| 2019/20 Audit Planning | | | | | | 5 | | 5 | Complete |
| **SBC TOTAL** | | **0** | **9** | **11** | **8** | **350** | | **317.5** | |

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (1 March 2019) |
|---|---|---|---|---|---|---|---|
| 1. | CCTV (joint review) 2018/19. | 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: <br> - Governance for Hertfordshire CCTV Partnership <br> - Governance for Hertfordshire CCTV Partnership Ltd. <br> - Governance lines between the Partnership and the Company <br> - Member roles and responsibilities <br> -Officer roles and responsibilities <br> 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. Revised to 31 May 2019. | <u>January 2019.</u> Recommended to the CCTV Joint Executive on 22 January 2019 that a detailed options paper will be put the CCTV Executive Group at its meeting on 10 April 2019. <br><br> <u>March 2019.</u> On track. | Not yet implemented – continue to monitor. |
| 2. | CCTV (joint review) 2018/19. | 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. | <u>January 2019.</u> On track. <br><br> <u>March 2019.</u> On track. | Not yet implemented – continue to monitor. |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (1 March 2019) |
|---|---|---|---|---|---|---|---|
| | | 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) 2018/19. | 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. | January 2019. On track. <br><br> March 2019. On track. | Not yet implemented – continue to monitor. |
| 4. | CCTV (joint review) 2018/19. | 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. | January 2019. On track. <br><br> March 2019. On track. | Not yet implemented – continue to monitor. |
| 5. | CCTV (joint review) 2018/19. | We recommend that, once agreed, the | New Terms of Reference will be | Each of the four Partner | 31 July 2019. | January 2019. On track. | Not yet implemented – continue to monitor. |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (1 March 2019) |
|---|---|---|---|---|---|---|---|
| | | 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. | | March 2019. On track. | |
| 6. | CCTV (joint review) 2018/19. | 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. | January 2019. On track.<br><br>March 2019. On track. | Not yet implemented – continue to monitor. |

**APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS**

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (1 March 2019) |
|---|---|---|---|---|---|---|---|
| 7. | CCTV (joint review) 2018/19. | 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. | January 2019. On track. March 2019. On track. | Not yet implemented – continue to monitor. |
| 8. | Cyber Security 2017/18 | 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 reviewed and, where they are found to have | 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. | January 2019. This is a new addition and the management response opposite is therefore the latest comment. March 2019. On track. | Not yet implemented – continue to monitor. |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (1 March 2019) |
|---|---|---|---|---|---|---|---|
| | | not been authorised, they should be removed. The solution should include the use of personal devices to connect to the IT network. Furthermore, management should put arrangements in place to monitor network access on a regular basis. | | | | | |
| 9. | Cyber Security 2017/18 | 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. 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 and should put arrangements in place | 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. | Strategic ICT Partnership Manager. | 31 March 2019. | January 2019. This is a new addition and the management response opposite is therefore the latest comment. March 2019. On track. | Not yet implemented – continue to monitor. |

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (1 March 2019) |
|---|---|---|---|---|---|---|---|
| | | 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. | | | | | |

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

| Oct | Nov | Dec | Jan | Feb | Mar |
|---|---|---|---|---|---|
| Cash and Banking (b/f from Nov) **(Final Report Issued)** | NDR **(Final Report Issued)** | Housing Rents **(Draft Report Issued)** | Debtors **(In Fieldwork)** | Corporate Governance **(Final Report Issued)** | Risk Management **(Final Report Issued)** |
| Council Tax **(Final Report Issued)** | Treasury Management **(Final Report Issued)** | Payroll **(Draft Report Issued)** | Creditors **(Final Report Issued)** | Cyber Security Follow-up **(In QR)** | Development Mgmt. (Deferred from Sept) **(Final Report Issued)** |
| Housing Benefits **(Final Report Issued)** | Main Accounting System (Deferred from October) **(Draft Report Issued)** | Digital - Connected to our Customers (Deferred from June) **(Draft Report Issued)** | Incident Management Follow-up **(In QR)** | Homelessness Reduction Act **(Deferred to June)** | |
| Housing Development Schemes **(Final Report Issued)** | TSS Improvement Plan Governance (b/f from Jan) **(Draft Report Issued)** | Refurbishment Contract **(Final Report Issued)** | Anti-Social Behaviour (Deferred from May) **(Draft Report Issued)** | Land Charges (Deferred from August) **(Deferred to July)** | |

| 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. |