



Stevenage Borough Council Audit Committee

9 February 2021
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Amendments to the Internal Audit Plan as at 22 January 2021
- c) 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:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2020/21 Internal Audit Plan as at 22 January 2021.
 - b) The findings for the period 1 April 2020 to 22 January 2021.
 - c) The changes 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 22 January 2021.

Background

- 1.2 Internal Audit's Annual Plan for 2020/21 was approved by the Audit Committee at its meeting on 9 June 2020. The Audit Committee receive periodic updates against the 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 changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 22 January 2021, 58% of the 2020/21 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued so far during 2020/21:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Procurement Activity	Sept 2020	Good	None
Garage Lettings	Sept 2020	Satisfactory	Four Medium priority
Void Management	Oct 2020	Satisfactory	One Medium, one Low/Advisory priority
Climate Change & Sustainability	Dec 2020	Good	One Medium priority
Housing Benefits	Jan 2021	Satisfactory	One Medium, two Low/Advisory priority

- 2.3 The table below summarises the position regarding 2020/21 projects as at 22 January 2021. Appendix A provides a status update on each individual project within the 2020/21 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	5	14%
Draft Report Issued	6	17%
In Fieldwork/Quality Review	10	29%
In Planning/Terms of Reference Issued	7	20%
Allocated	1	3%
Not Yet Allocated	0	0%
Cancelled	6	17%
Total	35	100%

Proposed Audit Plan Changes

- 2.4 The following Audit Plan changes were agreed with management and are proposed to the Committee:
- Homelessness & Housing Advice (10 days) – audit intended for Q4 2020/21 but deferred to Q1 or Q2 of 2021/22 due to operational pressures arising from the Council's pandemic response. Days returned to contingency.
 - Housing Allocations (10 days) – as above.
 - Ad hoc Advice (10 days) – days assigned from contingency to map a number of processes subject to transformational change.

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 2020/21 annual performance indicators were approved at the SIAS Board meeting in March 2020.
- 2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Annual Target	Profiled Target	Actual to 22 January 2021
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	60% (178/298 days) Note (1)	58% (172/298 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	44% (13/29 projects) Note (1)	38% (11/29 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (7 received) Note (2)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	No High priority recommendations have been made

Note (1) - this reflects the delay in starting to deliver the 2020/21 Internal Audit Plan and subsequent re-programming due to the pandemic.

Note (2) - 4 received in 2020/21 relate to 2019/20 audits.

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

2020/21 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 – 74 days									
Main Accounting System						8	Yes	3	In Fieldwork
Debtors						8	Yes	1.5	In Fieldwork
Creditors						8	Yes	1.5	In Fieldwork
Treasury Management						6	Yes	1.5	TOR Issued
Payroll						10	Yes	1.5	In Fieldwork
Council Tax						6	Yes	5.5	In Fieldwork
Business Rates						6	Yes	2	In Fieldwork
Housing Benefits	Satisfactory	0	0	1	2	6	Yes	6	Final Report
Housing Rents						8	Yes	1.5	TOR Issued
Cash & Banking						8	Yes	7.5	Draft Report
Operational Audits – 104 days									
Climate Change & Sustainability	Good	0	0	1	0	7	Yes	7	Final Report
Matters Identified by SAFS – follow up						7	Yes	6.5	Draft Report
Community Development						0	N/A	0	Cancelled
Community Safety						0	N/A	0	Cancelled
Compliant Homes						10	Yes	9.5	Draft Report
Digitalisation Programme						10	Yes	1.5	TOR Issued
Garage Lettings	Satisfactory	0	0	4	0	10	Yes	10	Final Report
Homelessness & Housing Advice						0	N/A	0	Cancelled
Housing Allocations						0	N/A	0	Cancelled
Housing Repairs						10	Yes	9.5	Draft Report
Leasehold Properties						10	Yes	0	Allocated

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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				
Licensing						10	Yes	4.5	In Fieldwork
On-Street Parking						0	N/A	0	Cancelled
Play Service						0	N/A	0	Cancelled
Statutory Compliance – GF Property						10	Yes	7	In Fieldwork
Tree Management						10	Yes	9.5	Draft Report
Void Management	Satisfactory	0	0	1	1	10	Yes	10	Final Report
Procurement, Contract Management and Project Management – 33 days									
Partnerships/Shared Services						10	Yes	1.5	TOR Issued
Procurement Activity	Good	0	0	0	0	5	Yes	5	Final Report
Regeneration – SG1						10	Yes	0.5	In Planning
Stevenage Bus Interchange						8	Yes	6	In Fieldwork
Risk Management and Governance – 12 days									
Risk Management						6	Yes	1	In Planning
Corporate Governance						6	Yes	1	In Planning
IT Audits – 12 days									
Payment Card Industry Compliance						6	Yes	5.5	Draft Report
Hardware Acquisition, Movement & Disposal						6	Yes	1	TOR Issued
Shared Learning and Joint Reviews – 0 days									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled

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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				
Ad Hoc Advice – 13 days									
General Advice and Process Mapping						13	Yes	7	In Progress
Completion of 19/20 Projects – 3 days									
Various						3	Yes	3	Complete
Contingency – 20 days									
Contingency						20	N/A	0	Through Year
Strategic Support – 47 days									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete
Audit Committee						12	Yes	7.5	Through Year
Client Liaison						8	Yes	5	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Plan Monitoring						12	Yes	9	Through Year
SIAS Development						5	Yes	5	In Progress
2021/22 Audit Planning						6	Yes	3.5	In Progress
SBC TOTAL		0	0	7	3	318		172	

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 (January 2021)
1	Cyber Security follow up (2018/19).	<p><u>Network access control.</u> Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council’s IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the connection All connections are approved before being allowed to proceed. Devices connected to the IT network should be reviewed on a routine basis.</p>	<p>The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>Network Tools July 2019. Intune October 2019. Procurement of network tools revised to November 2020.</p>	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>September 2019.</u> Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21. <u>December 2019.</u> Revised date as above. It is very rare (if ever) that someone connects</p>	<p>Partially implemented – continue to monitor.</p>

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						<p>an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.</p> <p><u>February 2020.</u> Revised implementation date as above.</p> <p><u>July 2020.</u> Budget obtained to purchase networking tools to cover this and other security areas. The procurement will start shortly.</p> <p><u>October 2020.</u> Project has a dependency on completion of the networking/Firewall upgrade. As any tools need to be able to work within those systems capabilities. The Networking project is at the end of the procurement phase but has come under some procurement and technical issues which are holding up</p>	

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (January 2021)
						<p>implementation.</p> <p>January 2021. Access remotely: Our VDI Hosted desktop solution gives good security controls over who can access our systems. This will be strengthened with the installation of an upgraded system this year which will force Multi Factor authentication. Access via our buildings WiFi: This security is enforced as above, stopping any access. Physical access: Due to current lockdown and the decision to focus on our network and hosted desktop upgrade, the project to purchase network monitoring tools has been put on hold. The ability to access our system by plugging in a device to our system is reduced by our hosted desktop solution, as this is</p>	

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (January 2021)
						inaccessible without authentication. The tool to monitor and restrict physical access is scheduled for Q3 2021.	
2	Incident Management follow up (2018/19).	<p><u>Updating the disaster recovery plan.</u> Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre. A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame. The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p>	With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI upgrade.	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> VDI upgrade out to tender with award scheduled for October 2019.</p> <p><u>December 2019.</u> Expected completion for this work is now April 2020.</p> <p><u>February 2020.</u> As above.</p> <p><u>July 2020.</u> A verbal update will be provided at the committee meeting.</p> <p><u>October 2020.</u> Project dependant on upgrade of infrastructure as</p>	Partially implemented – continue to monitor.

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (January 2021)
						<p>above.</p> <p>However limited pilot has been started and work on preparing applications is underway.</p> <p>£5,000 has been obtained from Local Government funding source to train 2 staff on DR planning.</p> <p>January 2021. ICT has a solid incident management response procedure, but this is not fully documented into a recognised Disaster Recovery Plan due to the changes being made to our systems and network. Any plan created now will be out of date in a few months, hence the delay.</p>	

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2020 TO MARCH 2021) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	On-Street Parking Cancelled	Play Service Cancelled	Void Management Final Report Issued	Climate Change & Sustainability Final Report Issued	Follow Up on Matters Identified by SAFS Draft Report Issued
	Community Safety Cancelled	Housing Repairs Draft Report Issued	Procurement Activity Final Report Issued	Community Development - Youth Council Cancelled	Compliant Homes Draft Report Issued
	Process Mapping Complete		Garage Letting Final Report Issued		Payment Card Industry Compliance (c/f from May) Draft Report Issued
Oct	Nov	Dec	Jan	Feb	Mar
Tree Management (c/f from Apr) Draft Report Issued	Council Tax In Fieldwork	Creditors In Fieldwork	Main Accounting In Fieldwork	Regeneration – SG1 In Planning	Digitalisation Programme TOR Issued
Statutory Compliance – GF Property In Fieldwork	Cash & Banking (c/f from Oct) Draft Report Issued	Debtors In Fieldwork	Payroll In Fieldwork	Risk Management In Planning	Leasehold Properties (c/f from July) Allocated to Auditor
Stevenage Bus Interchange In Fieldwork	Housing Benefits Final Report Issued	Partnerships/Shared Services (c/f from Oct) TOR Issued	Hardware Acquisition, Movement & Disposal TOR Issued	Housing Rents In Fieldwork	Housing Allocations Cancelled
		Licensing (c/f from Aug) In Fieldwork	Corporate Governance In Planning	Homelessness & Housing Advice (c/f from July) Cancelled	
			Treasury Management TOR Issued	Business Rates (c/f from November) In Fieldwork	

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.