



Stevenage Borough Council Audit Committee

24 March 2021
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
- c) Approve Proposed Changes to SIAS Audit Opinions

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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 2020/21 Internal Audit Plan as at 5 March 2021.
 - The findings for the period 1 April 2020 to 5 March 2021.
 - Details of any proposed changes to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information as at 5 March 2021.
 - Details of proposed changes to SIAS audit opinions.

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 5 March 2021, 74% 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 since the last committee meeting on 9 February 2021:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Housing Repairs	Feb 2021	Satisfactory	Three Medium priority
Cash & Banking	Feb 2021	Good	None
Tree Management	Feb 2021	Good	Two Medium priority
Landlord Health & Safety Compliance	Feb 2021	Limited	Two High, one Medium, one Low priority

- 2.3 The table below summarises the position regarding 2020/21 projects as at 5 March 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	10	29
Draft Report Issued	5	14
In Fieldwork/Quality Review	12	34
In Planning/Terms of Reference Issued	2	6
Allocated	0	0
Not Yet Allocated	0	0
Cancelled	6	17
Total	35	100%

Proposed Audit Plan Changes

- 2.4 There has been no proposed change to the Internal Audit Plan since the last committee meeting.

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 below:

Performance Indicator	Annual Target	Profiled Target	Actual to 5 March 2021
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	78% (248.5/318 days) Note (1)	74% (235.5/318 days)
2. Planned Projects – percentage of actual completed projects to	95%	59% (17/29 projects)	52% (15/29 projects)

draft report stage against planned completed projects		Note (1)	
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%	100% (2 High agreed)

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) - 3 received in 2020/21 relate to 2019/20 audits.

Proposed Changes to SIAS Audit Opinions

- 2.9 As Members will be aware, all formal internal audit assignments result in a published report. The primary purpose of the report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.
- 2.10 SIAS currently uses a range of four assurance opinions within internal audit reports, these being Good Assurance, Satisfactory Assurance, Limited Assurance and No Assurance. Definitions for each opinion are provided within Appendix D of this progress report.
- 2.11 In April 2020, within their publication "Internal Audit Engagement Opinions – Setting Common Definitions", The Chartered Institute of Public Finance and Accountancy (CIPFA) recommended that a standard range of opinions and definitions were used by Internal Audit teams within the intention of:
- a) Increasing confidence amongst audit committee members and managers that the engagement opinion issued is consistently applied.
 - b) Assist the sharing, comparability and understanding of assurances across public bodies.
 - c) Supporting audit committee members and senior managers in their understanding of audit reports, in particular those that sit on more than one public sector audit committee, or in respect of partnerships and joint ventures.
 - d) Supporting the training of internal audit staff, helping to drive up the quality and consistency of audit opinions, and facilitate staff moving across different internal audit teams.
 - e) Reducing disruption when changing internal audit provider.
- 2.12 CIPFA provided the following four assurance opinions and definitions:

Assurance Level	Definition
Substantial Assurance	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

- 2.13 Within their conclusions, CIPFA recommended that all Heads of Audit within public sector organisations adopted the above change, with those organisations not adopting the change disclosing the basis for this within their annual report.
- 2.14 In respect of implementing the above changes, this is seen as a minor adjustment to the existing SIAS ratings, given SIAS already adopt a four-tier rating with very similar definitions. The main change would therefore be replacing Good and Satisfactory Assurance with the new ratings of Substantial and Reasonable Assurance.
- 2.15 SIAS will be adopting the above change for all final reports issued from 1st April 2021, with the exception of any draft reports already issued to management prior to new financial year.

APPENDIX A - PROGRESS AGAINST THE 2020/21 INTERNAL 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	7.5	Draft Report
Debtors						8	Yes	7	Quality Review
Creditors						8	Yes	3.5	In Fieldwork
Treasury Management						6	Yes	5.5	Draft Report
Payroll						10	Yes	9	Quality Review
Council Tax						6	Yes	5.5	Draft Report
Business Rates						6	Yes	3	In Fieldwork
Housing Benefits	Satisfactory	0	0	1	2	6	Yes	6	Final Report
Housing Rents						8	Yes	7	Quality Review
Cash & Banking	Good	0	0	0	0	8	Yes	8	Final 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	7	Final Report
Community Development						0	N/A	0	Cancelled
Community Safety						0	N/A	0	Cancelled
Landlord Health & Safety Compliance	Limited	0	2	1	1	10	Yes	10	Final Report
Digitalisation Programme						10	Yes	5.5	In Fieldwork
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	Satisfactory	0	0	3	0	10	Yes	10	Final Report
Leasehold Properties						10	Yes	0.5	In Planning

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		C	H	M	LA				
Licensing						10	Yes	6.5	In Fieldwork
On-Street Parking						0	N/A	0	Cancelled
Play Service						0	N/A	0	Cancelled
Statutory Compliance – GF Property						10	Yes	9	Quality Review
Tree Management	Good	0	0	2	0	10	Yes	10	Final 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	3	In Fieldwork
Stevenage Bus Interchange						8	Yes	6	Quality Review
Risk Management and Governance – 12 days									
Risk Management						6	Yes	2	In Fieldwork
Corporate Governance						6	Yes	3.5	In Fieldwork
IT Audits – 12 days									
Payment Card Industry Compliance						6	Yes	5.5	Draft Report
Hardware Acquisition, Movement & Disposal						6	Yes	5.5	Draft Report
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	11	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	10	Through Year
Client Liaison						8	Yes	7	Through Year
Liaison with External Audit						1	Yes	1	Complete
Plan Monitoring						12	Yes	10	Through Year
SIAS Development						5	Yes	5	In Progress
2021/22 Audit Planning						6	Yes	6	Complete
SBC TOTAL		0	2	13	4	318		235.5	

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 (March 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. The network monitoring tool is the only outstanding element.</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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						<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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						<p>inaccessible without authentication. The tool to monitor and restrict physical access is scheduled for Q3 2021.</p> <p><u>March 2021.</u> The Rollout of Intune has been taking place and all new laptops are configured with their software. We are in the process of replacing all old Win7 laptops and also putting Smart Phone onto Intune. The tool to monitor and restrict physical access is scheduled for Q3 2021.</p>	
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</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	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>	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 (March 2021)
		<p>assurance that recovery could happen within the expected time frame.</p> <p>The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p>	<p>being of offline.</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 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><u>January 2021.</u> ICT has a solid incident management response procedure, but this is not fully documented into a</p>	

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (March 2021)
						<p>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> <p><u>March 2021.</u> As above.</p>	
3	Landlord Health & Safety Compliance.	<p><u>Completion of remedial actions arising from Water Risk Assessments.</u></p> <p>The Council should carry out an exercise, reviewing all properties on its water safety programme and their corresponding risk assessments, noting all remedial actions by order of priority.</p> <p>The Council should then agree a programme of works with its contractor to ensure all remedial actions have been completed.</p> <p>Going forward, the Council should put in place regular checks on the status of actions identified from risk assessments to ensure actions have been</p>	<p>The Gas Manager has a spreadsheet that lists what remedial works is required. Quotes have been received and SBC are working through completing all outstanding remedial work. Actions are being addressed in the order of their priority. Future remedial work will be issued to SBC every month.</p>	Asset Management & Major Works Manager.	Completion of all remedial works April 2021.	<p><u>March 2021.</u></p> <p>This is a new addition and the management response opposite is therefore the latest comment.</p>	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 (March 2021)
		completed by their due date. The Council can achieve this by amending their existing spreadsheet used to note the dates of monthly monitoring.					
4	Landlord Health & Safety Compliance.	<p><u>Completion of remedial actions arising from monthly water temperature monitoring.</u></p> <p>The Council should amend its existing monthly monitoring spreadsheet to include results of each monthly check i.e. pass/fail and if a fail result has been noted, whether remedial actions have been carried out to rectify issues identified.</p>	<p>From December, Stevenage will receive a monthly report highlighting all the properties with a satisfactory pass or a failure. This report will be sent to the Gas team inbox. Any failures will be recorded on Northgate and an order will be raised to the appropriate contractor to rectify the failure and report back.</p>	<p>Asset Management & Major Works Manager.</p>	<p>Starting December 2020 and will be ongoing.</p>	<p><u>March 2021.</u></p> <p>This is a new addition and the management response opposite is therefore the latest comment.</p>	<p>Implemented.</p>

APPENDIX C – INTERNAL 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 Final Report Issued
	Community Safety Cancelled	Housing Repairs Final Report Issued	Procurement Activity Final Report Issued	Community Development - Youth Council Cancelled	Landlord Health & Safety Compliance Final 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) Final Report Issued	Council Tax Draft Report Issued	Creditors In Fieldwork	Main Accounting Draft Report Issued	Regeneration – SG1 In Fieldwork	Digitalisation Programme (In Fieldwork)
Statutory Compliance – GF Property Quality Review	Cash & Banking (c/f from Oct) Final Report Issued	Debtors Quality Review	Payroll Quality Review	Risk Management In Fieldwork	Leasehold Properties (c/f from July) In Planning
Stevenage Bus Interchange Quality Review	Housing Benefits Final Report Issued	Partnerships/Shared Services (c/f from Oct) TOR Issued	Hardware Acquisition, Movement & Disposal Draft Report Issued	Housing Rents Quality Review	Housing Allocations Cancelled
		Licensing (c/f from Aug) In Fieldwork	Corporate Governance In Fieldwork	Homelessness & Housing Advice (c/f from July) Cancelled	
			Treasury Management Draft Report 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.