



Stevenage Borough Council Audit Committee

7 September 2022
Shared Internal Audit Service –
Progress Report

Recommendations

Members are recommended to:

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

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Internal Audit Plan and Key Findings
 - 2.4 Internal Audit Plan Changes
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2022/23 Internal Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Internal Audit Plan Items (April 2022 to March 2023) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

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 2022/23 Internal Audit Plan to 19 August 2022.
 - The findings for the period 1 April 2022 to 19 August 2022.
 - Details of any changes required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information to 19 August 2022.

Background

- 1.2 Internal Audit's Annual Plan for 2022/23 was approved by the Audit Committee at its meeting on 28 March 2022. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the first update report for 2022/23.
- 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 details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As of 19 August 2022, 27% of the 2022/23 Internal 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 Progress Report to the Audit Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Payroll (Assurance Mapping) 2021/22	Mar 2022	Reasonable	Two Medium and One Low Priority
Housing Rents 2021/22	Apr 2022	Substantial	None
Debtors 2021/22	Apr 2022	Reasonable	One Medium and Three Low Priority
Leaseholder Liability 2021/22	May 2022	Reasonable	One Medium Priority
Housing Allocations 2021/22	Jun 2022	Reasonable	One Medium and One Low Priority
Cyber Security (Assurance Mapping) 2021/22	Jul 2022	Limited	One High and Two Medium Priority

Contain Outbreak Management Fund (Grant Audit) 2022/23	Jul 2022	Unqualified	None
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See definitions for the above assurance levels and recommendation priorities at Appendix D.

- 2.3 The table below summarises the position regarding delivery of the 2022/23 approved projects to 19 August 2022. Appendix A provides a status update on each individual project within the 2022/23 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	1	3
Draft Report Issued	5	16
In Fieldwork/Quality Review	2	6
In Planning/Terms of Reference Issued	5	16
Allocated	18	59
Not Yet Allocated	0	0
Cancelled/Deferred	0	0
Total	31	100%

Internal Audit Plan Changes

- 2.4 Two unplanned grant audits have been added to the approved plan at the request of management, these being assurance activities to satisfy the funding conditions for grant income received from the UK Health Security Agency and Homes England. The audits were required by the bodies to independently confirm that funding was used in accordance with the associated terms and conditions. The audit work was resourced from the contingency provision included in the Council's Internal Audit Plan. The contingency provision has consequently been reduced from 6 days to 1 day.

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. One new High Priority recommendation has been added to the schedule. This recommendation relates to cyber security.

Performance Management

- 2.7 The 2022/23 annual performance indicators were approved at the SIAS Board meeting in March 2022.
- 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 19 Aug 2022
1. Internal Audit Annual Plan Report – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	N/A	Yes
2. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excludes contingency)	95%	31% (97/314)	27% (83.5/314)
3. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	23% (7/31)	19% (6/31)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (1 received) Note (1)
5. Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year	Yes	N/A	Yes

Note (1) – 1 received in 2022/23, this relating to a 2021/22 audit.

APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN

2022/23 Internal 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 – 70 days									
Provision for full or targeted audits of some key financial systems. Mapping other key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion									
Business Rates (shared with EHC)						70	Yes	1	Allocated
Council Tax (shared with EHC)							Yes		Allocated
Housing Benefits (shared with EHC)							Yes		Allocated
Treasury Management (assurance mapping refresh)							Yes		Allocated
Debtors (assurance mapping)							Yes		Allocated
Creditors (assurance mapping)							Yes		Allocated
Payroll (assurance mapping refresh)							Yes		Allocated
Asset Management (assurance mapping)							Yes		In Planning
Housing Rents (assurance mapping)							Yes		Allocated
Cash & Banking (assurance mapping refresh)							Yes		Allocated
Operational Audits – 100 days									
Planned and Response Maintenance to the Council’s Estate						10	Yes	0	Allocated
Leisure Services						10	Yes	1	In Planning
Community Safety (CCTV operations)						10	Yes	1	In Planning
Cemeteries						10	Yes	9.5	Draft Report Issued
Open Spaces						10	Yes	1	In Planning
Commercial Property						10	Yes	0	Allocated
Environmental Maintenance						10	Yes	2	In Fieldwork
Landlord Health & Safety Property Compliance						10	Yes	0	Allocated

APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Refuse Services						10	Yes	9.5	Draft Report Issued
Off Street Parking						10	Yes	9.5	Draft Report Issued
Grant Audits – 5 days									
Contain Outbreak Management Fund	Unqualified	0	0	0	0	3	Yes	3	Final Report Issued
Homes England						2	Yes	2	Draft Report Issued
Corporate Services/Themes – 70 days									
Ways of Working						10	Yes	0	Allocated
Supply Chain Interruption						10	Yes	9	In Quality Review
Energy & Utility Payments						10	Yes	9.5	Draft Report Issued
Customer Services						10	Yes	1	In Planning
Housebuilding & Acquisitions						10	Yes	0	Allocated
Towns Fund						10	Yes	0	Allocated
Digital Exclusion						10	Yes	0	Allocated
IT Audits – 10 days									
Malicious Software (shared with EHC)						7	Yes	0	Allocated
Cyber Security (assurance mapping refresh only, shared with EHC)						3	Yes	0	Allocated
Shared Learning and Joint Reviews – 5 days									
Joint Review(s) – Topics to be confirmed by SIAS Board						5	No	0	Not Yet Allocated
Completion of 2021/22 Projects – 7 days									
Various						7	Yes	4.5	Various
Contingency – 1 day									
Contingency						1	N/A	0	Through Year
Strategic Support – 47 days									
Head of Internal Audit Assurance Opinion						3	Yes	3	Complete

APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
2021/22									
Audit Committee & Recommendations Follow Up						10	Yes	3	Through Year
Client Meetings & Ad hoc Advice						10	Yes	4	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	4.5	Through Year
SIAS Development						5	Yes	5	Through Year
Matters Arising: Shared Anti-Fraud Service						2	Yes	0.5	Through Year
Audit Planning 2023/24						5	Yes	0	Through Year
SBC TOTAL		0	0	0	0	315		83.5	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit Committee Members with a summary of the most recent update provided by management in respect of outstanding high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2022)
1.	<p>Follow Up audit (Landlord Health & Safety 2021/22).</p>	<p><u>Recommendation:</u> <u>Completion of remedial actions arising from Water Risk Assessments.</u> Remedial works identified from the risk assessments sampled at the previous audit have not been fully completed and it is not clear what is outstanding. It is therefore recommended that risk assessments are carried out by the council's new contractors and the remedial actions required recorded in priority order and carried out in a timely manner. The programme of works required should be regularly monitored to ensure that they are being actioned and completed. The date of completion should be recorded.</p> <p><u>Agreed Management Action(s):</u> The council's new contract with water hygiene contractor, Safewater, commenced 1 November 2021. Safewater have been issued with the council's current risk assessment programme and asked to re-survey all blocks, prioritising blocks where remedial actions are outstanding. A programme evidencing the date for each risk assessment has been requested from Safewater and this will be given to the Gas Manager so that he can monitor progress. It will also be agreed between the Gas Manager and the contractor that remedial actions up to a work value of £250 can be authorised and completed at the time of survey – note a record of works completed should be recorded on the contractor's portal. Works above this value will be sent to the Gas Manager in quote form and an order raised on the council's Northgate System. Any remedial actions that Safewater require special access or another contractor's assistance is the responsibility of the Gas Manager to identify, action and monitor remedial work and quality. The Gas Manager has agreed with Safewater that all remedial actions from the risk assessments will be recorded on one spreadsheet and updated, monthly. All data should be prepared to go into Propeller, the council's new compliance management tool. The Compliance Manager has set up a weekly meeting with the Gas Manager to ensure procedure are in</p>	<p>Responsible Officer: Compliance Manager (Housing Investments). Due Date: 31 March 2022.</p>	<p><u>August 2022.</u> Work identified as being a priority has been completed. Residual work remains in progress and will be completed by the end of November.</p>	<p>Partially implemented.</p>

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2022)
		place and are being followed. The Gas Manager will also evidence to the Compliance Manager that monthly contractor meetings are booked in and operational performance is on the agenda to be monitored and escalated to the Compliance Manager if necessary.			
2.	Follow Up audit (Landlord Health & Safety 2021/22).	<p>Recommendation: <u>Completion of remedial actions arising from Water Risk Assessments.</u> We recommend that any remedial work outstanding is carried out and the date of completion is recorded on the spreadsheet to ensure that all necessary actions have taken place. Those without a date should be chased to ensure that nothing gets missed.</p> <p>Agreed Management Action(s): The Gas Manager has been asked to issue all failed temperature checks to Safewater to action immediately. The Gas Manager has requested a date for each visit, and he will monitor each action up until completion. The Compliance Manager has weekly meetings arranged with the Gas Manager to monitor progress. The Gas Manager has also been asked to provide an access procedure for Safewater as failed access into areas where services are provided have caused a number of failures. The Gas Manager is aware that they are responsible for assisting the contractor with access. The Gas Manager has agreed with Safewater that all failed temperature checks should be collated on one spreadsheet and updated monthly - Performance will also be monitored at monthly contractor meetings and escalated to the Compliance Manager where necessary. Where necessary, the Gas Manager will also agree a value of works that Safewater can self-authorise to prevent return visits. Quoted work will be authorised by the Gas Manager and issued via Northgate.</p>	<p>Responsible Officer: The Compliance Manager (Housing Investments). Due Date: 31 March 2022.</p>	<p><u>August 2022.</u> Work identified as being a priority has been completed. Residual work remains in progress and will be completed by the end of November.</p>	Partially implemented.
3.	Cyber Security (assurance mapping) 2022/23	<p>Recommendation: <u>Cyber Security Accreditation.</u> We recommend that the Council review its cyber security functions in order to meet an adequate level of security to protect itself from any cyber security threats. Thereafter, the Council should seek appropriate accreditation to provide assurance for their cyber security. When the Council has</p>	<p>Responsible Officer: Strategic ICT Partnership Manager. Due Date: 31 December</p>	<p><u>August 2022.</u> New recommendation. The management response opposite is the latest comment.</p>	Not Yet Due.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Aug 2022)
		<p>completed its rollout of Windows 10, it should renew its PSN certification.</p> <p><u>Agreed Management Action(s):</u> Rollout of the M365 and Windows 10 is currently underway.</p>	2022.		

APPENDIX C – INTERNAL AUDIT PLAN 2022/23 – INDICATIVE AUDIT START DATES AGREED WITH MANAGEMENT

STEVENAGE					
Apr	May	Jun	July	Aug	Sept
Refuse - Draft Report Issued	Energy & Utility Payments - Draft Report Issued	Cemeteries - Draft Report Issued	Asset Management Assurance Mapping - In Planning	Community Safety (CCTV operations) - In Planning	Leisure - In Planning
		Environmental Maintenance - In Fieldwork	Off Street Parking - Draft Report Issued	Customer Services - In Planning	Open Spaces - In Planning
		COMF Grant - Final Report Issued	Digital Exclusion - Allocated	Homes England Grant Audit - Draft Report Issued	Malicious Software - Allocated
			Supply Chain Interruption (c/f from May) - In Quality Review		
Oct	Nov	Dec	Jan	Feb	Mar
Commercial Property - Allocated	Council Tax - Allocated	Creditors Assurance Mapping - Allocated	Housing Rents Assurance Mapping - Allocated	Treasury Management Assurance Mapping Refresh - Allocated	
Landlord Health & Safety Property Compliance - Allocated	Business Rates - Allocated	Debtors Assurance Mapping - Allocated	Cash & Banking Assurance Mapping - Allocated	Payroll Assurance Mapping Refresh - Allocated	
Ways of Working (c/f from April - Allocated	Housing Benefits - Allocated	Towns Fund - Allocated	House Building & Acquisitions - Allocated	Cyber Security Framework Assurance Mapping Refresh - Allocated	
Planned and Response Maintenance to the Council's Estate - Allocated					

APPENDIX D – ASSURANCE / RECOMMENDATION PRIORITY LEVELS

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	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	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	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	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.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
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 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.

