



Stevenage Borough Council Audit Committee

7 February 2023
Shared Internal Audit Service –
Progress Report

Recommendations

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve the Internal Audit Plan Changes
- 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 2022/23 Internal Audit Plan to 20 January 2023.
 - b) The findings for the period 20 August 2022 to 20 January 2023.
 - c) Details of any changes required to the approved Internal Audit Plan.
 - d) The implementation status of previously agreed audit recommendations.
 - e) An update on performance management information to 20 January 2023.

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 second 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 20 January 2023, 57% 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
Homelessness & Housing Advice 2021/22	Sep 2022	Reasonable	One Medium and Two Low Priority
Off Street Parking 2022/23	Sep 2022	Substantial	None
Cemeteries 2022/23	Sep 2022	Reasonable	Two Low Priority
Refuse 2022/23	Sep 2022	Substantial	One Low Priority
Community Safety (SADA) 2021/22	Oct 2022	Reasonable	Three Medium and One Low Priority
Supply Chain Interruption 2022/23	Nov 2022	Reasonable	Four Medium Priority

Asset Management 2022/23	Dec 2022	Substantial	None
Environmental Maintenance 2022/23	Jan 2023	Limited	One High, Three Medium and Two Low Priority

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 20 January 2023. 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	8	25%
Draft Report Issued	6	19%
In Fieldwork/Quality Review	5	16%
In Planning/Terms of Reference Issued	1	3%
Allocated	11	34%
Not Yet Allocated	0	0%
Cancelled/Deferred	1	3%
Total	32	100%

Internal Audit Plan Changes

- 2.4 Members should note at Appendix C that four audits have been moved to quarter 4 from dates earlier in 2022/23. This is due to a combination of management requests and work reallocation by SIAS.
- 2.5 The following Audit Plan change was agreed with the audit sponsor. The Committee is asked to approve this change:
- Planned and Response Maintenance to the Council's Estate – an audit intended for quarter 3 has been cancelled. After discussions with the Assistant Director – Stevenage Direct Services, SIAS were advised that the audit was not required due to an internal service review at the present time. The days not used on this audit have been returned to the contingency balance, which has consequently increased to 8.5 days.

Critical and High Priority Recommendations

- 2.6 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.
- 2.7 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 there being no Environmental Maintenance Strategy, and the Environmental Maintenance Policy being out of date. Within their response to the audit report, management have agreed to create a strategy and update the policy by the 30 June 2023.

Performance Management

- 2.8 The 2022/23 annual performance indicators were approved at the SIAS Board meeting in March 2022.
- 2.9 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 20 Jan 2023
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%	60% (183.5/306.5)	57% (175.5/306.5)
3. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	52% (16/31)	45% (14/31)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100% (4 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 relates to a 2021/22 audit.

Update on Current Plan Delivery Position

- 2.10 SIAS still has a relatively large number of audits to deliver in the remainder of 2022/23. It has been a significantly challenging year for SIAS in relation to recruitment and retention, with as many as 6 FTE vacancies (36% of the establishment) during earlier periods of the financial year. Whilst this has now reduced to 4.5 FTE (25% of the establishment), the specialist nature of Internal Audit means that SIAS are competing with the private sector to recruit to our higher level roles, and this has proved challenging given the pay constraints Local Authorities operate under. In respect of the remaining vacancies, a recruitment campaign is currently in progress.
- 2.11 As Committee Members will be aware, SIAS operates as a partnership. The current resource gap within the partnership is 200 working days. Whilst this would normally be allocated to SIAS's external partner, they have now reached their delivery and resourcing capacity for the financial year. SIAS have therefore recently completed a procurement process to commission two additional external partners for quarter 4 to complete the remaining audits, with both new external partners now in place and taking forward their allocated work.
- 2.12 Based on current resource availability (including our external partners), we are able to provide assurance to the Committee that all audits within 2022/23 have been allocated for completion. However, should additional vacancies occur, SIAS experiences significant staff sickness, or there are client engagement issues in relation to the timing (or supporting the delivery) of audits, there would be a risk to the overall delivery of the 2022/23 internal audit plan.
- 2.13 The above position is subject to continual monitoring, and SIAS is currently satisfied that all available mitigating actions have been taken forward to manage the above risks, and that any uncompleted audits could be concluded during April and May 2023 to support the Annual Assurance Opinion if required. However, regular updates will be provided to both the SIAS Board and the Council's Section 151 Officer as the remainder of the financial year progresses.

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	30	Draft Report Issued
Council Tax (shared with EHC)							Yes		Draft Report Issued
Housing Benefits (shared with EHC)							Yes		In Fieldwork
Treasury Management (assurance mapping refresh)							Yes		Allocated
Debtors							Yes		Allocated
Creditors (assurance mapping)							Yes		In Fieldwork
Payroll (assurance mapping refresh)							Yes		Allocated
Asset Management (assurance mapping)	Substantial	0	0	0	0		Yes		Final Report Issued
Housing Rents							Yes		Allocated
Cash & Banking (assurance mapping refresh)							Yes		Allocated
Operational Audits – 91.5 days									
Planned and Response Maintenance to the Council’s Estate						1.5	Yes	1.5	Cancelled
Leisure Services						10	Yes	1	In Planning
Community Safety (CCTV operations)						10	Yes	9.5	Draft Report Issued
Cemeteries	Reasonable	0	0	0	2	10	Yes	10	Final Report Issued
Open Spaces						10	Yes	9.5	Draft Report Issued
Commercial Property						10	Yes	0	Allocated
Environmental Maintenance	Limited	0	1	3	2	10	Yes	10	Final Report Issued
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	Substantial	0	0	0	1	10	Yes	10	Final Report Issued
Off Street Parking	Substantial	0	0	0	0	10	Yes	10	Final Report Issued
Grant Audits – 6 days									
Contain Outbreak Management Fund	Unqualified	0	0	0	0	3	Yes	3	Final Report Issued
Homes England	Unqualified	0	0	0	0	3	Yes	3	Final Report Issued
Corporate Services/Themes – 70 days									
Ways of Working						10	Yes	0	Allocated
Supply Chain Interruption	Reasonable	0	0	4	0	10	Yes	10	Final Report Issued
Energy & Utility Payments						10	Yes	9.5	Draft Report Issued
Customer Services						10	Yes	3	In Fieldwork
Housebuilding & Acquisitions						10	Yes	0	Allocated
Towns Fund						10	Yes	0	Allocated
Digital Exclusion						10	Yes	7	In Fieldwork
IT Audits – 10 days									
Malicious Software (shared with EHC)						7	Yes	6	Quality Review
Cyber Security (assurance mapping refresh only, shared with EHC)						3	Yes	0	Allocated
Shared Learning and Joint Reviews – 5 days									
Joint Review(s) – Hertfordshire Building Control						5	Yes	4.5	Draft Report Issued
Completion of 2021/22 Projects – 7 days									
Various						7	Yes	7	Complete
Contingency – 8.5 day									
Contingency						8.5	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	5.5	Through Year
Client Meetings & Ad hoc Advice						10	Yes	6	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	8	Through Year
SIAS Development						5	Yes	5	Through Year
Matters Arising: Shared Anti-Fraud Service						2	Yes	1	Through Year
Audit Planning 2023/24						5	Yes	2.5	Through Year
SBC TOTAL		0	1	7	5	315		175.5	

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 (Jan 2023)
1.	Cyber Security (assurance mapping) 2022/23	<p><u>Recommendation:</u> <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 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>	<p>Responsible Officer: Strategic ICT Partnership Manager. Due Date: 31 December 2022.</p>	<p><u>January 2023.</u> The Council continues to work with the National Cyber Security Centre to meet an adequate level of security.</p>	Partially implemented.
2.	Environmental Maintenance 2022/23	<p><u>Recommendation:</u> <u>Strategy and Policy.</u> Ensure the Council has an up-to-date Environmental Maintenance strategy in place to ensure best practice, and a statutory compliance governance framework aiming to:</p> <ul style="list-style-type: none"> • Ensure environmental maintenance works, street cleansing, fly tipping and graffiti removal, are performed in accordance with all legislative requirements. • Clearly defined roles and responsibilities are coordinated effectively for each activity. • Service standards are outlined. • Industry best practice is promoted. • There is a clear and robust process for full accountability that links to wider plans and strategies. <p><u>Agreed Management Action(s):</u> All agreed as above.</p>	<p>Responsible Officer: Operations Manager Due Date: 30 June 2023.</p>	<p><u>January 2023.</u> New recommendation. The management response opposite is the latest comment.</p>	Not yet implemented.

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

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