



Stevenage Borough Council Audit Committee

17 November 2020
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 30th October 2020
- 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 Audit Plan and Key Findings
 - 2.4 Audit Plan Changes
 - 2.9 Critical and High Priority Recommendations
 - 2.11 Performance Management

Appendices:

- A Progress against the 2020/21 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2020 to March 2021) - 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 2020/21 Internal Audit Plan as at 30th October 2020.
 - The findings for the period 1 April 2020 to 30th October 2020.
 - The changes required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information as at 30th October 2020.

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 30th October 2020, 36% 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 Progress Report to the Audit Committee:

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

- 2.3 The table below summarises the position regarding 2020/21 projects as at 30th October 2020. 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	3	9%
Draft Report Issued	4	11%
In Fieldwork/Quality Review	7	20%
In Planning/Terms of Reference Issued	6	17%
Allocated	11	32%
Not Yet Allocated	0	0%
Cancelled	4	11%
Total	35	100%

Proposed Audit Plan Changes

- 2.4 At the start of the new financial year, Council resources were focused on maintaining services and responding to the COVID-19 pandemic. As a result, no internal audits were started in April, May or June (a delay in starting to deliver the 2020/21 Audit Plans was experienced across all SIAS partners). As part of the gradual return to Audit Plan delivery at this Council, 20 audits are now complete or in progress at the time of writing this report and it is anticipated that further audits will commence during quarters 3 and 4.
- 2.5 Contact was maintained with the Strategic Director – S151 during the above period and a decision made by management to delay some audits to later in the year and, as a result of the loss of available time within the year, an assessment made on those audits that are either no longer required or not seen as a priority.
- 2.6 For the reasons outlined above, the following Audit Plan changes were agreed with management and are highlighted to the Committee:

Cancellations

- a) On-Street Parking (10 days) – audit intended for quarter 1 but it was not considered a priority as traffic movements and parking had significantly declined due to COVID-19 restrictions.
- b) Community Safety (10 days) – audit intended for quarter 1 but it was not considered a priority as staff were engaged in the pandemic response.
- c) Play Service (6 days) – audit intended for quarter 1 but it was not considered a priority whilst the Play Service was closed due to COVID-19 restrictions.
- d) Community Development (Youth Council) (6 days) – audit intended for quarter 2 but it was not considered a priority due to COVID-19 restrictions.

Amendments

- e) The Shared Learning (2 days) and Joint Review provisions (3 days) will not be used in 2020/21 (across all SIAS partners). The time has been reallocated to the Ad-hoc Advice provision and used for some miscellaneous contract audit work.
- 2.7 The impact of the above changes is a total reduction of 32 days in the 2020/21 Internal Audit Plan as originally approved by Committee in June 2020.
- 2.8 It has also been necessary to re-profile the remaining audits in-line with service capacity. This has resulted several audits being deferred to quarters 3 and 4. This is shown at Appendix C. The position will be reviewed as the year progresses and any further changes reported to Committee.

Critical and High Priority Recommendations

- 2.9 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.
- 2.10 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.11 The 2020/21 annual performance indicators were approved at the SIAS Board meeting in March 2020.
- 2.12 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 30 October 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	38% (118/312 days) Note (1)	36% (113/312 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	29% (9/31 projects)	23% (7/31 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level	100%	100%	100% (4 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.

Note (2) - the 4 received so far 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	0	Allocated
Debtors						8	Yes	0.5	In Planning
Creditors						8	Yes	0.5	In Planning
Treasury Management						6	Yes	0	Allocated
Payroll						10	Yes	0	Allocated
Council Tax						6	Yes	2.0	In Fieldwork
Business Rates						6	Yes	1.5	In Fieldwork
Housing Benefits						6	Yes	1.5	In Fieldwork
Housing Rents						8	Yes	0	Allocated
Cash & Banking						8	Yes	2.5	TOR Issued
Operational Audits – 122 days									
Climate Change & Sustainability						7	Yes	6.5	Draft Report
Matters Identified by SAFS – follow up						5	Yes	4.5	Draft Report
Community Development						0	N/A	0	Cancelled
Community Safety						0	N/A	0	Cancelled
Compliant Homes						10	Yes	7	In Fieldwork
Digitalisation Programme						10	Yes	0	Allocated
Garage Lettings	Satisfactory	0	0	4	0	10	Yes	10	Final Report
Homelessness & Housing Advice						10	Yes	0	Allocated
Housing Allocations						10	Yes	0	Allocated
Housing Repairs						10	Yes	9.5	Draft Report
Leasehold Properties						10	Yes	0	Allocated

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Licensing						10	Yes	2.5	TOR Issued
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	5.5	In Fieldwork
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	0.5	In Planning
Procurement Activity	Good	0	0	0	0	5	Yes	5	Final Report
Regeneration – SG1						10	Yes	1	In Planning
Stevenage Bus Interchange						8	Yes	1	In Fieldwork
Risk Management and Governance – 12 days									
Risk Management						6	Yes	0	Allocated
Corporate Governance						6	Yes	0	Allocated
IT Audits – 12 days									
Payment Card Industry Compliance						6	Yes	5.5	Draft Report
Hardware Acquisition, Movement & Disposal						6	Yes	0	Allocated
Shared Learning and Joint Reviews – 0 days									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Ad Hoc Advice – 7 days									
Advice						7	Yes	4	In Progress
Completion of 19/20 Projects – 5 days									
Various						5	Yes	3	Complete
Contingency – 6 days									
Contingency						6	N/A	0	Through Year
Strategic Support – 47 days									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete
Audit Committee						12	Yes	4.5	Through Year
Client Liaison						8	Yes	2.5	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Plan Monitoring						12	Yes	6	Through Year
SIAS Development						5	Yes	5	In Progress
2021/22 Audit Planning						6	Yes	0	Allocated
SBC TOTAL		0	0	5	1	318		113	

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 (October 2020)
1	Facilities Management 2019/20	<p><u>Procedure manual.</u> We recommend that a procedure manual is written for Facilities Management activities.</p> <p>The manual should include the statutory responsibilities and routine compliance checks carried out by the Facilities Management Team.</p>	Recommendation accepted.	Facilities Manager.	<p>Starting 31st October 2019 - Completion 31st January 2020</p> <p>Starting 31st October 2019 - Completion February 2020 Training ongoing currently.</p>	<p><u>February 2020.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>October 2020.</u> The Facilities Management manual has been written and includes all statutory routine compliance checks carried out by the FM team and associated method statements and risk assessments form part of the manual.</p>	Implemented.
2	Facilities Management 2019/20	<p><u>Procurement.</u> We recommend the Facilities Manager ensure compliance with Contract Standing Orders by completing an Award Notification Form (ANF) when a new contract is awarded so the details of the contract can be input into the Council's central contracts register. Where contracts are running that are not currently on the</p>	Recommendation accepted.	Facilities Manager.	Starting End January 2020- Completion April 2020.	<p><u>February 2020.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>October 2020.</u> In Place - with the merge of the Facilities Management Team and the Compliance</p>	Implemented.

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 (October 2020)
		<p>contracts register the Facilities Manager should seek help from Corporate Procurement to see if any files that have been worked on by procurement are available to help fill in any missing information, where there is no record the Facilities Manager should consider whether a re-procurement is necessary.</p> <p>The Facilities Manager should retain a reference copy of all live contracts in the facilities folders and provide Corporate Procurement with a copy for the contracts database.</p> <p>We further recommend that the Facilities Manager attends the next Contract Management Training course offered by Corporate Procurement to help manage the existing contracts.</p>				<p>Team (plus a move in directorate to Finance and Estates) no new contracts have been awarded but the team are aware ANFs are required if there are new contracts awarded. The procurement process for all compliance contracts will be followed going forward</p>	
3	Facilities Management 2019/20	<p><u>Contract review.</u> We recommend a full review of all Facilities Management contracts is carried out in line with the Contract Procurement</p>	Recommendation accepted.	Facilities Manager.	<p>Meeting procurement 1/11/19 for overview. Completion of review April 2020.</p>	<p><u>February 2020.</u> This is a new addition and the management response opposite is therefore the latest</p>	Implemented.

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 (October 2020)
		Rules.			Continuous Improvement Action plan to be in place for completion April 2020.	comment. <u>October 2020.</u> In place - the Electrical and Mechanical Compliance Contract has been taken in house after a long run of outsourcing to single contractors. Therefore, there was a need to ensure a smooth transition at short notice. Procurement waivers are in place for our trusted contractors and full procurement of long-term contracts are required. FM and Architects are working together to secure contracts for electrical compliance, water compliance and fire compliance along with contracts for building fabric maintenance.	
4	Cyber Security follow up (2018/19).	<u>Network access control.</u> Management should establish a network access control to block	The Council has created a Security & Network Team who has been tasked to look at security /	ICT Strategic Partnership Manager.	Network Tools July 2019. Intune October 2019.	<u>July 2019.</u> This is a new addition and the management	Partially 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 (October 2020)
		<p>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.</p> <p>Where there is a demonstrable need for a device to connect to the IT network, the Service should require:</p> <p>The purpose for the connection has been recorded</p> <p>Appropriate security controls have been enabled on the device connecting to the IT network</p> <p>The period of time that the device will require the connection</p> <p>All connections are approved before being allowed to proceed.</p> <p>Devices connected to the IT network should be reviewed on a routine basis.</p>	<p>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>Procurement of network tools revised to November 2020.</p>	<p>response opposite is therefore the latest comment.</p> <p><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.</p> <p>Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21.</p> <p><u>December 2019.</u> Revised date as above. It is very rare (if ever) that someone connects an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.</p>	

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 (October 2020)
						<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 implementation.</p>	
5	Incident Management follow up (2018/19).	<u>Updating the disaster recovery plan.</u> Management should	With our upgrade to horizon VDI, we are installing hardware which will allow	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI	<u>July 2019.</u> This is a new addition and the management	Partially 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 (October 2020)
		<p>update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p> <p>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.</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>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.</p>		<p>upgrade.</p>	<p>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 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</p>	

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 (October 2020)
						source to train 2 staff on DR planning.	

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 (5)	On-Street Parking (10) Cancelled	Play Service (6) Cancelled	Void Management (10) Final Report Issued	Climate Change & Sustainability (7) Draft Report Issued	Stevenage Bus Interchange (8) In Fieldwork
	Community Safety (10) Cancelled	Housing Repairs (10) Draft Report Issued	Procurement Activity (5) Final Report Issued	Community Development - Youth Council (6) Cancelled	Compliant Homes (10) In Fieldwork
			Garage Letting (10) Final Report Issued	Statutory Compliance – GF Property (10) In Fieldwork	Payment Card Industry Compliance (c/f from May) (6) Draft Report Issued
					Follow Up on Matters Identified by SAFS (5) Draft Report Issued
Oct	Nov	Dec	Jan	Feb	Mar
Tree Management (c/f from Apr) (10) In Fieldwork	Council Tax (6) In Fieldwork	Creditors (8) In Planning	Main Accounting (8) Allocated to Auditor	Regeneration – SG1 (10) In Planning	Digitalisation Programme (10) Allocated to Auditor
Partnerships/Shared Services (10) In Planning	Business Rates (6) In Fieldwork	Debtors (8) In Planning	Payroll (10) Allocated to Auditor	Risk Management (6) Allocated to Auditor	Leasehold Properties (c/f from July) (10) Allocated to Auditor
	Housing Benefits (6) In Fieldwork	Housing Rents (8) Allocated to Auditor	Hardware Acquisition, Movement & Disposal (6) Allocated to Auditor	Housing Allocations (10) Allocated to Auditor	
	Cash & Banking (8) (c/f from October) TOR Issued	Licensing (c/f from Aug) (10) TOR Issued	Corporate Governance (6) Allocated to Auditor	Homelessness & Housing Advice (c/f from July) (10) Allocated to Auditor	
			Treasury Management (6) Allocated to Auditor		

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.