



Stevenage Borough Council Audit Committee

8 September 2021
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Changes to the Internal Audit Plan as at 20 August 2021
- 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 Internal Audit Plan Changes
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2021/22 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Internal Audit Plan Items (April 2021 to March 2022) - 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 2021/22 Internal Audit Plan as at 20 August 2021.
 - The findings for the period 1 April 2021 to 20 August 2021.
 - Details of any changes to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information as at 20 August 2021.

Background

- 1.2 Internal Audit's Annual Plan for 2021/22 was approved by the Audit Committee at its meeting on 24 March 2021. 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 details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 20 August 2021, 29% of the 2021/22 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 Audit Committee meeting:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Leasehold Properties 2020/21	July 2021	Satisfactory *	Four Medium, Two Low priority
Vehicle Workshop	July 2021	Substantial	One Low priority
North Road Development	July 2021	Substantial	None

* Audits in 2020/21 used the previous assurance levels

- 2.3 The table below summarises the position regarding 2021/22 projects as at 20 August 2021. Appendix A provides a status update on each individual project within the 2021/22 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	2	10%
Draft Report Issued	3	14%
In Fieldwork/Quality Review	2	10%
In Planning/Terms of Reference Issued	6	28%
Allocated	7	33%
Not Yet Allocated	0	0%
Cancelled	1	5%
Total	21	100

Proposed Audit Plan Changes

- 2.4 The following Audit Plan changes were agreed with audit sponsors. The Committee is asked to approve these changes:
- a) **Council Housebuilding & Acquisitions Programme (10 days)** – an audit intended for quarter 1 has been deferred to 2022/23. After discussions with the Assistant Director - Housing & Development, it was agreed that this was now a more appropriate timeframe as the programme will be further forward.
 - b) **Homes England: Compliance Audit (5 days)** – new housing development grant audit added for quarter 2. The Council has been selected for audit by Homes England, who require independent confirmation that all requirements and grant funding conditions have been complied with. It has been agreed with the Housing Development Delivery Manager that SIAS will provide the confirmation required.

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 the most recent management updates on the status of any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2021/22 annual performance indicators were approved at the SIAS Board meeting in March 2021.

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 20 August 2021
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	31% (96/312 days)	29% (91.5/312 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	25% (5/20 projects)	25% (5/20 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (2 High agreed) Note (2)

Note (1) - 2 received in 2021/22 relate to 2020/21 audits.

Note (2) – 2 relate to a 2020/21 audit finalised after 31/03/2021.

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

2021/22 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 – 80 days									
Provision for full or targeted audit of some key financial systems. Mapping other key financial systems to confirm appropriate lines of assurance and to inform the annual assurance statement						80	Yes	3	In Planning
Operational Audits – 144 days									
Vehicle Workshop	Substantial	0	0	0	1	10	Yes	10	Final Report Issued
Homelessness & Housing Advice						10	Yes	0	Allocated
Housing Allocations						10	Yes	0	Allocated
Collection of Leaseholder Liability						10	Yes	0	Allocated
Community Safety (SADA)						10	Yes	0.5	In Planning
Youth Council						6	Yes	5.5	Draft Report Issued
COVID-19 Pandemic Response & Recovery						12	Yes	11.5	Draft Report Issued
Welfare Reform						10	Yes	0.5	In Planning
Health & Safety						10	Yes	9.5	Draft Report Issued
Information Governance						10	Yes	2	ToR Issued
Council Housebuilding & Acquisitions Programme						0	N/A	0	Cancelled
Contract Management						10	Yes	9	In Fieldwork
Capital Programme Development & Delivery						10	Yes	0	Allocated
Housing Development Site (North Road)	Substantial	0	0	0	0	11	Yes	11	Final Report Issued
Follow Up audit (Landlord Health & Safety)						5	Yes	0.5	In Planning
Follow Up audit (2)						5	Yes	0	Allocated

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Homes England – Compliance Audit						5	Yes	1.5	In Fieldwork
Risk Management and Governance – 15 days									
Risk Management, Corporate Governance						15	Yes	0	Allocated
IT Audits (in conjunction with East Herts Council) – 16 days									
IT Resilience						6	Yes	0	Allocated
Cyber Security Assurance Mapping						10	Yes	5	ToR Issued
Shared Learning and Joint Reviews – 10 days									
Joint Reviews - tbd						6	No	0	Through Year
Shared Learning						4	No	0	Through Year
Completion of outstanding 2020/21 projects – 4 days									
Various						4	Yes	4	Complete
Contingency – 3 days									
Contingency						3	No	0	Not Yet Allocated
Strategic Support – 43 days									
Head of Internal Audit Opinion 2020/21						3	Yes	3	Complete
Audit Committee						8	Yes	3	Allocated
Client Meetings and ad-hoc advice						9	Yes	3	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	4	Through Year
SIAS Development/EQA						5	Yes	5	Through Year
2022/23 Internal Audit Planning						6	Yes	0	Allocated
SBC TOTAL		0	0	0	1	315		91.5	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
1.	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 completed by their due date. The Council can achieve this by amending their existing spreadsheet used to note the dates of monthly monitoring.</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.	August 2021. Work complete.	Implemented.
2.	Payment Card Industry Data Security Standard (PCI-DSS).	<p><u>PCI-DSS Self-Assessment & Compliance Structure.</u></p> <p>The Council has not completed a SAQ and</p>	Payment methods across the Council to be reviewed following a risk assessment of	Assistant Director – Finance & Estates.	July 2021.	August 2021. An initial working group has taken place with key stakeholders and	Implemented.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
		<p>does not have a formal PCI-DSS compliance strategy/program in place to meet required data security standards.</p> <p>As the option for non-compliance was taken several years ago and since that point there have been multiple personnel changes, the Council should re-assess the level of risk and decide if the non-compliant route is still the most preferred option.</p> <p>A cross-council PCI-DSS working group should be established to focus on assessing the level of risk presented by sustained non-compliance with the PCI-DSS.</p> <p>This group's primary objective should be to determine whether to accept the level of risk and continue to pay the monthly penalty imposed by WorldPay or agree roles and responsibilities to engineer and maintain compliance with the published standards.</p> <p>Should the decision be made to focus on compliance, the Council is</p>	<p>current methods.</p>			<p>following this the Customer Service Centre are no longer taking card payments over the phone (except in exceptional circumstances whereby the customer cannot use the automated line).</p> <p>Further work will be undertaken over the coming months.</p>	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	Most Recent Management Update	SIAS Comment (August 2021)
		recommended to consult the best practice guidance produced by the PCI DSS Council in January 2019.					
3.	Payment Card Industry Data Security Standard (PCI-DSS).	<p><u>Roles and Responsibilities.</u></p> <p>It was not possible during the course of this review to identify any PCI-DSS compliance stakeholders due to the low level of awareness throughout the Council.</p>	The AD for Finance & Estates will own responsibility for PCI-DSS compliance. Key stakeholders across the council will be identified and a working group set up to discuss the payment methods into the Council.	Assistant Director – Finance & Estates.	July 2021.	<p><u>August 2021.</u></p> <p>An initial working group has taken place with key stakeholders and following this the Customer Service Centre are no longer taking card payments over the phone (except in exceptional circumstances whereby the customer cannot use the automated line).</p> <p>Further work will be undertaken over the coming months.</p>	Implemented.
4.	General Fund Property Health and Safety.	<p><u>Air Circulation Risk Assessment.</u></p> <p>The Council should implement arrangements with general fund properties to ensure that air circulation risk assessments are completed as required and any remedial actions completed on a timely basis. A log should be</p>	Following discussions with SLT the corporate landlord section of the Council will be carrying out a full portfolio assessment of the current and required air circulation requirements with a view to ensure	Corporate Landlord Programme Manager	August 2021.	<p><u>August 2021.</u></p> <p>No new update.</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	Most Recent Management Update	SIAS Comment (August 2021)
		<p>maintained to ensure all risk assessments are being carried out annually and follow up action taken where risk assessments are not provided. The Council could consider implementing a programme of air circulation checks and removing the requirement from staff at individual properties.</p>	<p>suitable arrangements are made within the various properties.</p>				

APPENDIX C – INTERNAL AUDIT PLAN ITEMS (APRIL 2021 TO MARCH 2022) – START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Youth Council Draft Report issued	Vehicle Workshop Final Report Issued	Key Financial Systems In Planning	Key Financial Systems In Planning
COVID-19 Pandemic Response Draft Report issued	Community Safety (SADA) In Planning	Housing Allocations Allocated	Homelessness & Housing Advice Allocated
Health & Safety Draft Report Issued	Homes England – Compliance Audit In Fieldwork	Audit Follow Up Allocated	Collection of Leaseholder Liability Allocated
Council Housebuilding & Acquisitions Programme (Cancelled)	Information Governance ToR Issued	Capital Programme Delivery Allocated	Risk Mgmt , Corporate Governance Allocated
Housing Development Site (North Road) Final Report Issued	Cyber Security ToR Issued	Welfare Reform In Planning (c/f from Q2)	IT Resilience Allocated
	Contract Management In Fieldwork		
	Landlord H & S Follow up In Planning		

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Assurance Level	Definition
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.

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.