



Stevenage Borough Council Audit Committee

4 September 2024
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
- d) Note the Global Internal Audit Standards Briefing Paper

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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 2024/25 Internal Audit Plan to 16 August 2024.
 - The findings for the period 1 May 2024 to 16 August 2024.
 - 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 16 August 2024.
 - A briefing paper on the revised Global Internal Audit Standards.

Background

- 1.2 Internal Audit's Annual Plan for 2024/25 was approved by the Audit Committee at its meeting on 26 March 2024. The Audit Committee receive periodic updates against the Internal Audit Plan. This is the first update report for 2024/25.
- 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 16 August 2024, 32% of the 2024/25 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 May 2024 (reports issued in April were included in the Internal Audit Annual Report, presented to the June committee meeting):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Sickness Absence Management 2023/24	May 2024	Substantial	None
Vehicle Workshop	June 2024	Substantial	One Medium, One Low priority
Freedom of Information	July 2024	Reasonable	Two Medium priority
Facilities Management	Aug 2024	Limited	One High, Two Medium, Three

			Low priority
Review of Audit Committee	Aug 2024	Reasonable	One Medium, One 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 2024/25 approved projects to 16 August 2024. Appendix A provides a status update on each individual project within the 2024/25 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	5	19%
Draft Report Issued	0	0%
In Fieldwork/Quality Review	4	15%
In Planning/Terms of Reference Issued	3	12%
Allocated	13	50%
Not Yet Allocated	0	0%
Cancelled/Deferred	1	4%
Total	26	100%

Internal Audit Plan Changes

- 2.4 The planned internal audit of Housing Register & Allocations has been deferred to 2025/26. This is because a new allocations policy is due to be implemented and service management has requested the audit be delivered once it is in place and working. The unused audit days have been returned to contingency and may be reallocated to other work in progress, or any emerging issues during the remainder of the financial year. Contingency currently stands at 12.5 days.

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. Seven new High Priority recommendations have been added to the schedule since the last Progress Report. These recommendations are from audits of Housing Property Services - Contract Compliance (2023/24), and Facilities Management. The presentation of Appendix B has been split between part 1 and part 2 of the committee agenda.

Performance Management

2.7 The 2024/25 annual performance indicators were approved at the SIAS Board meeting in March 2024.

2.8 The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Performance Target for 31 March 2025	Profiled Performance 16 Aug 2024	Actual Performance 16 Aug 2024	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	35%	32%	93 days delivered out of the current 287.5 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2025	90%	24%	20%	5 projects to draft or final report from the 25 planned
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%	Based on the results of the 1 completed questionnaire received (from the 5 issued)
4. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	95%	100%	1 High Priority recommendation made and agreed

* Based on Audit Plan 'deliverables' at draft and final stage, and items carried forward from 2023/24 that were not at draft report stage by 31 March 2024.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2024/25 as the audit plan for the financial year 2024/25 was presented to the Committee in March 2024.

- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects.
- **7. Chief Audit Executive's Annual Report** – presented at first 2024/25 meeting of the Audit Committee. This indicator was achieved for 2024/25 as the Client Audit Manager's Annual Report (for 2023/24) was presented to the June 2024 meeting of this committee.

2.10 Whilst Plan delivery is naturally subject to a continued stable establishment and availability of client officers to support audits, we currently report no risks to the delivery of a robust annual assurance opinion.

Global Internal Audit Standards

2.11 A briefing paper on the revised Global Internal Audit Standards that are required to be implemented by SIAS by 1 April 2025 is attached at Appendix E. Members should note that the Standards guide the worldwide professional practice of internal auditing, are principle-based, and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are guiding principles that enable effective internal auditing, including the role and function of an audit committee.

APPENDIX A - PROGRESS AGAINST THE 2024/25 INTERNAL AUDIT PLAN

2024/25 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 – 64 days									
Business Rates (shared with EHC)						64	Yes	0.5	Allocated
Council Tax (shared with EHC)							Yes		Allocated
Housing Benefits (shared with EHC)							Yes		In Planning
Treasury Management							Yes		Allocated
Debtors							Yes		Allocated
Creditors							Yes		Allocated
Payroll (risk & control mapping refresh)							Yes		Allocated
Housing Rents							Yes		Allocated
Cash & Banking (risk & control mapping refresh)							Yes		Allocated
Operational Services – 54.5 days									
Property Statutory Compliance Checks x2						12	Yes	2	In Fieldwork
Estates (asset utilisation)						10	Yes	0	Allocated
Housing Register & Allocations						0.5	Yes	0.5	Cancelled
Vehicle Workshop	Substantial	0	0	1	1	10	Yes	10	Final Report Issued
Follow Up of Limited Assurance Reports from 2023/24						10	Yes	0	Allocated
Facilities Management	Limited	0	1	2	3	12	Yes	12	Final Report Issued
Corporate Services/Themes – 94 days									
Review of Audit Committee	Reasonable	0	0	1	1	10	Yes	10	Final Report Issued
Confidential Reporting Procedures						10	Yes	8	In Fieldwork
Contract Management						12	Yes	1.5	In Planning
Climate Data & Reporting						10	Yes	4.5	In Fieldwork
Embedded Project Assurance						12	Yes	0	Allocated

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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				
Risk Management (risk & control mapping refresh)						2	Yes	0	Allocated
Freedom of Information	Reasonable	0	0	2	0	10	Yes	10	Final Report Issued
Commercialisation						12	Yes	5.5	In Fieldwork
Corporate Governance (risk & control mapping)						10	Yes	0	Allocated
On Demand Grant Audits						6	Yes	0	Allocated
IT Audits – 12 days									
Data Breach Incidents (shared with EHC)						6	Yes	0.5	In Planning
IT Hardware Inventory (shared with EHC)						6	Yes	0	Allocated
Completion of 2023/24 Projects – 8 days									
Sickness Absence Management	Substantial	0	0	0	0	8	Yes	8	Final Report Issued
Contingency – 12.5 days									
Contingency						12.5	N/A	0	Through Year
Strategic Support – 55 days									
Head of Internal Audit						3	Yes	3	Complete
Audit Committee & Recommendation Follow Up						10	Yes	5.5	Through Year
Client Engagement & Adhoc Advice						10	Yes	3	Through Year
2025/26 Audit Planning						5	Yes	0	Allocated
SIAS Service Development & Global Internal Audit Standards Implementation						5	Yes	5	Through Year
Assurance Mapping						10	Yes	0.5	Through Year
Plan & Progress Monitoring						12	Yes	3	Through Year
SBC TOTAL		0	1	6	5	300		93	
* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority									

APPENDIX B: IMPLEMENTATION STATUS OF 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 2024)
1.	Facilities Management 2024/25	<p><u>Recommendation:</u> To address audit findings that relate to contracts and procurement.</p> <p>a) Develop a clear procurement plan and timeline to deal with the volume of outstanding activity, seeking advice from the Corporate Procurement team.</p> <p>b) The Facilities Manager complete the Council’s Procurement training course to ensure he is up to date on the requirements of the Councils procurement rules and processes.</p> <p><u>Agreed Management Actions(s):</u></p> <p>a) Procurement timeline now developed, starting in October 2024.</p> <p>b) Training has been completed.</p>	<p>Responsible Officer: Facilities Manager.</p> <p>Due Date: 31/08/2024.</p>	<p><u>August 2024.</u> New recommendation. The management response opposite is the latest comment.</p>	Implemented.

APPENDIX C: INTERNAL AUDIT PLAN 2024/25 – PLANNED AUDIT START DATES

April	May	June	July	August	September
2023/24 Projects Requiring Completion - Final Report	Confidential Reporting Procedures - In Fieldwork	Facilities Management - Final Report	Estates (asset utilisation) - Allocated	Property Compliance Checks (1) - In Fieldwork	Housing Register & Allocations - Cancelled
	Vehicle Workshop - Final Report	Freedom of Information - Final Report	Data Breach Incidents & Response - In Planning	Climate Data & Reporting - In Fieldwork	Contract Management - In Planning
	Review of Audit Committee - Final Report		Commercialisation - In Fieldwork		
October	November	December	January	February	March
IT Hardware - Allocated	Council Tax - Allocated	Business Rates - Allocated	Creditors - Allocated	Treasury Management - Allocated	
Cash & Banking - Allocated	Debtors - Allocated	Housing Benefits - In Planning	Payroll - Allocated	Corporate Governance - Allocated	
Housing Services Contract Compliance Follow Up - Allocated	Housing Rents - Allocated	Risk Management - Allocated	Follow Up (2) - Allocated	Property Compliance Checks (2) - 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.

APPENDIX E - Global Internal Audit Standards – Briefing Paper

The change from the International Professional Practices Framework to the Global Internal Audit Standards

1. Following consultation during 2023, the Global Institute of Internal Auditors (the GIIA) published a set of new Global Internal Audit Standards (GIAS) in January 2024. The GIAS are due to come into effect from January 2025, although this has been extended to April 2025 for the UK public sector to align with the new financial / municipal year and internal audit reporting requirements.
2. The previous International Professional Practices Framework (IPPF) was separated into categories for mandatory and recommended guidance. The new 2024 GIAS have incorporated the recommended guidance into the mandatory requirements to aid practitioners in accessing and understanding the information. This has also led to the previous Code of Ethics, Core Principles, and Implementation guidance under the umbrella of the new Standards. The image below (from the consultation papers) encapsulates this change.

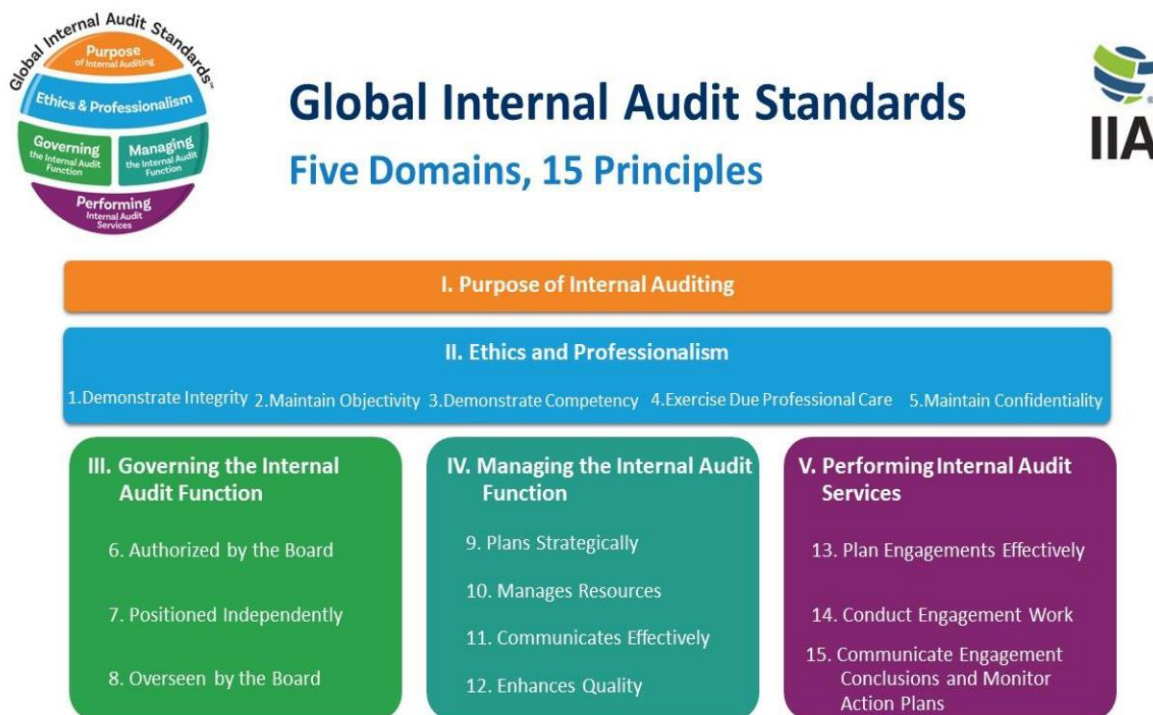


3. New to the 2024 GIAS are the setting of Topical Requirements. They are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.
4. Although mandatory, there is a comply or explain approach when auditing, or choosing not to audit, an area where topical requirements have been published. They are not a requirement to perform any engagement, nor are they a step-by-step approach to the execution of the Internal Audit engagement. The topical requirements include a tool to help internal audit document the rationale for including or excluding certain requirements.
5. To date, one Topical Requirement has been published on Cyber Security. Others being developed include:
 - a) Organisational Governance
 - b) Fraud Risk Management

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- c) Information Technology Governance
- d) Sustainability: Environment, Social and Governance
- e) Third-party Management
- f) Performance Audits (Public Sector specific)

The Global Internal Audit Standards – Domains and Principles



6. The GIAS are arranged into five Domains (sections), as also outlined in the image above:

- I. Purpose of Internal Auditing
- II. Ethics and Professionalism
- III. Governing the Internal Audit Function
- IV. Managing the Internal Audit Function
- V. Performing Internal Audit Services

7. There are five domains, with the first two being the foundations which apply across all other domains. Domain III is around governing internal audit, is therefore the most relevant to the Audit Committee and includes essential conditions that the Audit Committee needs to follow. Domain IV is around leading the internal audit function and therefore is the focus of the Chief Audit Executive (aka the Head of Internal Audit). Finally, Domain V is focused on performing internal audit engagements.
8. The 5 domains include 15 Principles (as also outlined in the image above) and 53 individual standards to support these. Each standard includes:
- a) Requirements – mandatory practices for internal audit

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- b) Considerations for implementation – common and preferred practices to consider when implementing the requirements.
- c) Examples of evidence of conformance – examples to demonstrate that the requirements have been implemented.
9. This new structure while meaning the document is now in the region of 100 pages long, is easy to dip in and out of and bring all relevant material to one place, rather than having to read across different documents.
10. The review has not just been structural. There are new requirements and clarifications. These are aimed to raise the bar for the profession across the globe in the private and public sector, however, in the UK and Ireland (and EU) the distance from current practice to the new GIAS is not as great as in other parts of the world. This is especially the case for public sector internal audit teams in the UK that ‘generally conformed’ with the Public Sector Internal Audit Standards (PSIAS) enshrined in the Accounts and Audit Regulations 2015. The PSIAS were themselves based on the IPPF.

Key Changes

11. The table below illustrates some of the key changes in the GIAS:

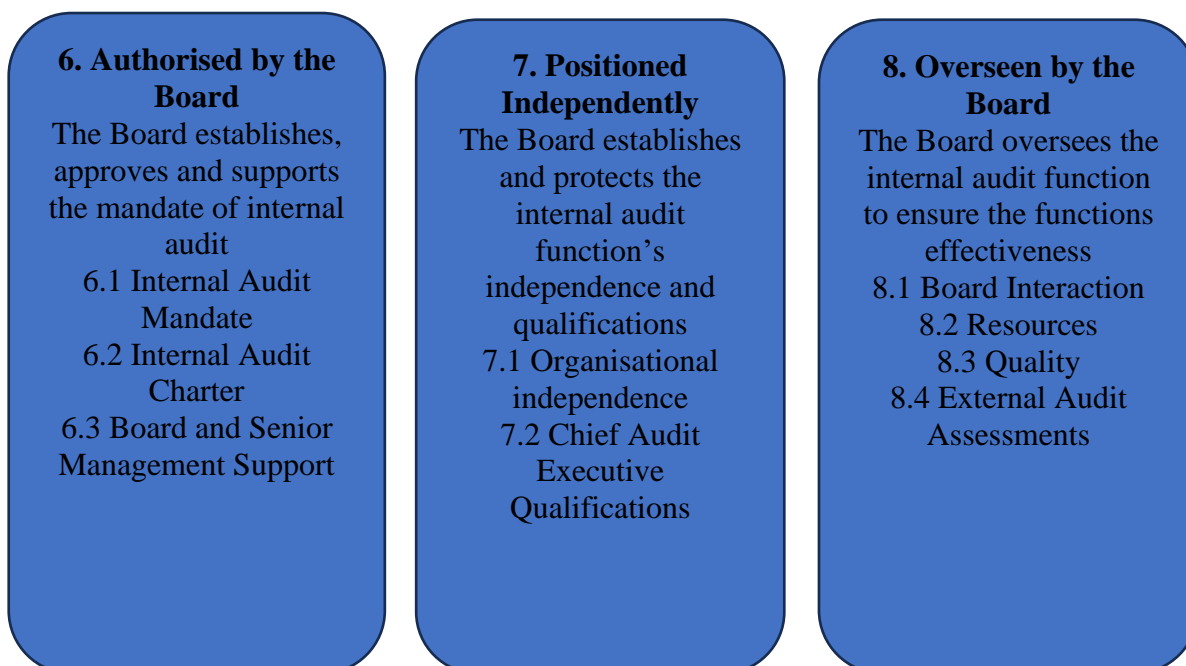
Area	Term	Definition / Change / Narrative
Glossary	Board	<p>Collective noun and is defined in the glossary as below:</p> <p><i>‘Highest-level body charged with governance, such as:</i></p> <ul style="list-style-type: none"> • <i>A board of directors.</i> • <i>An audit committee.</i> • <i>A board of governors or trustees.</i> • <i>A group of elected officials or political appointees.</i> • <i>Another body that has authority over the relevant governance functions.</i> <p><i>In an organisation that has more than one governing body, “board” refers to the body or bodies authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’</i></p> <p>In the UK public sector, this is generally deemed to be the Audit Committee or equivalent.</p>
Glossary	Root Cause	<p>Core issue or underlying reason for the difference between the criteria and condition of an activity under review. See Domain V below.</p>
Domain I	Purpose of Internal Auditing	<p><i>‘Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.’</i></p>

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		<p>Internal auditing enhances the organisation's:</p> <ul style="list-style-type: none"> • Successful achievement of its objectives. • Governance, risk management, and control processes. • Decision-making and oversight. • Reputation and credibility with its stakeholders. • Ability to serve the public interest.
Domain II	Code of Ethics	<p>Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective.</p> <p>Professional courage is a new term. This is not about internal auditors seeking to speak directly with the board on areas they are worried about, but having professional discussion and using escalation protocols as appropriate to ensure that the message reaches the board as appropriate. Part of this is about ensuring that internal audit functions are aware of what ethical standards are expected, which is why ethical training is key part of this.</p>
Domain III	Governing the Internal Audit Function	<p>Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the previous IPPF, the new GIAS go further and explicitly lay out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform. See separate section at paragraph 12 below.</p>
Domain IV	Managing the Internal Audit Function	<p>The Internal Audit Strategy principle sits in here, and the need to develop and implement an internal audit strategy.</p> <p>It should be noted that SIAS already has a Strategy approved by the SIAS Board. This is being revisited to ensure that it conforms with the GIAS.</p>
Domain V	Performing the Internal Audit Services	<p>This is largely the same as the previous IPPF / PSIAS. The term root cause in here has been an area of discussion amongst internal auditors.</p>

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12. The images below depict the three principles and nine standards of Domain III, being that most relevant to Audit Committees and senior management.



UK Public Sector Update

13. The GIAS will form the basis for internal auditing for the UK public sector and the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are carrying out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. This is especially relevant for Domain III. The consultation material is due for issue by September 2024 at the latest, with a consultation period of eight weeks.
14. Having regard to the points raised by respondents, the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the Relevant Internal Audit Standards Setters (including Treasury, CIPFA and others), these will be issued later in 2024 to allow sufficient time for preparation for implementation. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework and enshrined in the Audit and Account Regulations 2015 will continue to apply.
15. The PSIAS require an External Quality Assessment (EQA) to be completed every five years, and this continues to be a requirement of the GIAS. Those local authorities with an EQA due in 2024 must complete these prior to the GIAS implementation date of 9 January 2025 and can request an additional readiness assessment against the new GIAS. Those with an EQA date due in 2025 can opt to bring this forward for conduct under the existing PSIAS on the grounds

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outlined or keep to the planned date but must have completed sufficient engagements under the new standards prior to being assessed. The next SIAS EQA is due in July 2026, thereby providing sufficient time to embed and evidence compliance with the new standards.

Actions and Next Steps

16. SIAS have, and will continue to, participate in consultation around the GIAS.
17. We have been attending professional body (Chartered IIA, CIPFA) and network (Chief Auditors Network, HCCIAG, LAG) webinars, training, and discussions to make sure we learn from colleagues and understand what is proposed, timeframes, the implications for SIAS and how we ensure we conform with the GIAS.
18. We have reviewed guidance and template documents available on the Chartered IIA member web pages and are working through the GIAS self-assessment tools available from the professional body to identify gaps, actions and exceptions.
19. As noted at paragraph 10, there are not a significant number of requirements for SIAS to implement from scratch and most of the work relates to revisiting and updating (where necessary) our documentation, processes, procedures, approaches, and methodologies to ensure that they conform with the GIAS. We have sought to link this as closely as possible to the normal delivery and reporting cycles to the SIAS Board and partner Audit Committees. To this end, partner Audit Committees have already received our updated and revised Internal Audit Mandate and Internal Audit Charter for approval in the May / June reporting cycle.
20. We will report on implementation and conformance with the GIAS, including areas of deliberate non-conformance, to the SIAS Board and our partner Audit Committees as part of our annual self-assessment accompanying the annual assurance opinion and our Internal Audit Charter. This forms part of the May / June Audit Committee cycle. We will inform the SIAS Board and partner Audit Committees should any material impediments to implementation arise ahead of the key UK public sector implementation date of 1 April 2025.