INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
13 SEPTEMBER 2023

RECOMMENDATIONS
- Note the SIAS Progress Report for the period to 25 August 2023
- Note the plan amendments to the 2023/24 Annual Audit Plan

Contents

1. Introduction and Background

<u>Purpose of Report</u>

1.1 This report details:

   a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2023/24 as at 25 August 2023.
   b) In-Year Audit Plan review and proposed plan amendments
   c) An update on performance indicators as at 25 August 2023.

<u>Background</u>

1.2 The 2023/24 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 8 March 2023.

1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving an update on the delivery of the 2023/24 Internal Audit Plan.

1.4 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 provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1 As at 25 August 2023, 29% of the 2023/24 Audit Plan days had been delivered.

2.2 There has been one final internal audit report issued as part of the approved 2023/24 Internal Audit Plan since the 21 June FAR Committee meeting, this being a carry forward audit from the 2022/23 Internal Audit Plan:

Audit Title	Assurance Opinion	Recommendations
Safeguarding	Reasonable	2 Medium, 4 Low

<u>High Priority Recommendations</u>

2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority

recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.4   A detailed update on the implementation status of high priority recommendations is contained at Appendix D. Three of the six high priority recommendations are now reported to be implemented and three are reported as partially implemented, albeit not yet at their implementation dates.

Proposed Amendments

2.5   No plan amendments have been agreed with management within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

2.6   To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 25 August 2023
Draft / Final Report Issued	4	17%	6 (25%)
In Fieldwork / Quality Review	1	8%	5 (21%)
Terms of Reference Issued / In Planning	6	25%	2 (8%)
Not Yet Started	13	54%	11 (46%)

2.7   Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 25 August 2023, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 25 August 2023	Actual to 25 August 2023
1. **Planned Days** - Percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	35% (90 / 255 days)	31% (78.5 / 255 days)
2. **Planned Projects** Percentage of audit plan delivered to draft report stage by 31 March 2023	90%	25% (6 /24 projects)	17% (4 / 24 projects)

Percentage of audit plan delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	13% (3 projects)	8% (2 projects)
3. Client Satisfaction - Percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% for those returned (1 returned from 13 issued)
4. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management	95%	100%	100%

2.8 In respect of delivery of Planned Days, performance is slightly behind the profiled target as it was anticipated that fieldwork would have been able to commence on the Digital Strategy audit from quarter one and the three second quarter audits (Safer Recruitment, Houses in Multiple Occupation and Software Licensing) where terms of references have been issued. These are now scheduled for commencement in September 2023. In respect of Planned Projects, it was anticipated that a draft report would have been issued for the Freedom of Information audit and based on original scheduling at the start of the year, that this would be the case too for the Digital Strategy audit.

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2023/24 Head of Assurance's 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.

- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 25 AUGUST 2023

2023/24 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
High Priority Audits (48 days)									
Churchgate – Project Governance Framework						15	BDO	14.5	Draft Report Issued
Churchgate Landlord Compliance						11	SIAS		
Churchgate – Ongoing Project Assurance						11	BDO		
Council Tax Reduction Scheme						11	SIAS		
Medium Priority Audits (79 days)									
Freedom of Information						8	SIAS	6.5	In Fieldwork
Safer Recruitment						9	SIAS	1.5	ToR Issued
Houses in Multiple Occupation						9	SIAS	1.5	ToR Issued
Estates						9	SIAS		
Ombudsman Complaints						9	SIAS		
Project Management						9	SIAS		
MSU Transactions						8	SIAS		
Agency Staffing						9	SIAS		
Emergency Planning						9	SIAS		
IT Audits (32 days)									
Software Licensing						10	BDO	2	ToR Issued
Critical Applications						10	BDO	1.5	ToR Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
IT Disaster Recovery and Business Continuity						12	BDO	1.5	ToR Issued
Consultancy and Advisory (30 days)									
Strategic Planning (Local Plan)						10	SIAS		
Harkness Court						10	BDO	9.5	Draft Report Issued
Digital Strategy						10	BDO	2	ToR Issued
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						1.5	SIAS		
Workman's Hall						1.5	SIAS		
Miscellaneous Grants						5	SIAS		
Contingency (5 days)									
Contingency						5			
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	
Audit Committee						8	SIAS	4	Through Year
Performance Monitoring						7	SIAS	3	Through Year
Client Liaison						7	SIAS	3	Through Year
Audit Planning 2023/24						8	SIAS		Through Year
SIAS Development						5	SIAS	5	Through Year
2022/23 Carry Forward (20 days)									
Completion of outstanding 2022/23 projects		0	1	24	23	20	SIAS	20	Complete
Total - North Herts D.C.		**0**	**1**	**23**	**24**	**260**		**78.5**	

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 25 AUGUST 2023

Key / Notes
Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance
C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority
BDO = SIAS Audit Partner
N/a = Not Applicable
Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2023/24 Internal Audit Plan.

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Churchgate - Project Governance Framework **(Draft Report Issued)**	Churchgate Landlord Compliance		Churchgate – Ongoing Project Assurance
				Council Tax Reduction Scheme
M	Freedom of Information **(In Fieldwork)**	Safer Recruitment **(ToR Issued)**	Estates	Agency Staffing
		Houses in Multiple Occupation (HMO) **(ToR Issued)**	Ombudsman Complaints	Emergency Planning
			Project Management	
			MSU Transactions	
IT		Software Licensing **(ToR Issued)**	Critical Applications **(ToR Issued)**	IT Disaster Recovery and Business Continuity **(ToR Issued)**
C	Harkness Court **(Draft Report Issued)**			Strategic Planning (Local Plan)
	Digital Strategy **(ToR Issued)**			
G/C				King George V Playing Fields
				Workman's Hall
O	2022/23 Carry Forward Audits **(Complete)**			

Key:
H – High Priority: Most closely linked to the Council's Delivery Plan and Risk Register
M – Medium Priority.

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

IT – IT Audits
C – Consultancy: Assignments will be delivered as part of the audit plan
G/C – Grant or charity certification to be completed as part of the audit plan
O - Other

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2023/24

Audit Opinions		
Assurance Level		Definition
Assurance Opinions	**Substantial**	A sound system of governance, risk management and control exists, 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 Certification	**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.

Finding 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 D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	**Technical Team Resilience - Documented Procedures** SIAS Recommendation We recommend that a complete and detailed activity and process mapping exercise is undertaken to establish all key activities and processes performed by the System and Technical Team, including those ad-hoc and periodic activities performed by the System and Technical Manager. Following this, management should establish whether a work instruction, process or procedure notes and guidance already exist for the particular activity and confirm that they are up to date. Where gaps are identified, work instructions, process or procedure notes and guidance should be drafted and approved. As part of the mapping exercise, the primary and secondary officer responsible for undertaking each activity should be identified and documented. Management Response Processes carried out by the technical team are already documented. These have been reviewed and updated where necessary. Further work will be required to cover ad hoc processes. The main gaps in documentation relate to activities carried out by the Systems and Technical Manager. Some training has been taking place in this area with the Revenues Manager to provide greater resilience and as part of this instructions have and continue to be developed. This will be considered to see whether it is practical or possible to have a primary and secondary officer given the small team.	31 March 2023	**Implemented.** 30-Jun-2023 This action is complete, as changes have been implemented and incorporated into ongoing activities. Actions are now business-as-usual and incorporated into the longer-term handover plan between the Systems and Technical Manager and the Revenues Manager (and wider service). As each ad hoc process is carried out by the Systems and Technical Manager it is being documented, furthermore upskilling, training and knowledge sharing has been taking place with the Revenues Manager and other senior officers across the service. There is now a weekly meeting between both service managers to ensure the delivery of key tasks and projects. Further work in this area is ongoing and work instructions continue to be created to support the training and provide documented reference procedures. As there is greater resilience created within the wider team this will provide an opportunity to formalise primary and secondary officers.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	**Business Continuity Plans for Key Officer Absence** SIAS Recommendation We recommend that, in addition to the actions taken at recommendation 1 above, the business continuity arrangements for the System and Technical Team are reviewed and robust plans are drafted. Further, job descriptions should be reviewed to ensure that they remain aligned to the current expectations of the roles. Alongside the business continuity plan, a training and development plan should be put in place to support resilience and succession planning. Consideration should be given to partnering with a neighbouring authority for business continuity purposes, however a determination on the appropriateness of system configuration and setup should be made in advance of arrangements being put in place. Management Response Work has started in this area with the training of the Revenues Manager to support and provide resilience for the Technical Manager. A number of small changes have been made to the team to bring in additional resource and resilience at different levels, as part of this process job descriptions have been reviewed and a training and development plan is underway. Due to the different systems and processes in place a partnering or sharing arrangement with neighbouring authorities is not possible. However, the significant resiliency issue of the Systems and Technical Manager has been in part addressed through the training and cross departmental working with the Revenues Manager. This is a new practice implemented following this audit.	31 March 2023	**Implemented.** 30-Jun-2023 This action is complete, as changes have been implemented and incorporated into ongoing activities, helping to address the associated risk highlighted in the audit report. Actions are now business-as-usual and incorporated into the longer-term handover plan between the Systems and Technical Manager and the Revenues Manager (and wider service). Temporary changes to the structure remain and a longer-term review of the structure is being worked on currently whilst reviewing all the activities that are carried out including whether any change is required in terms of who conducts activities. Although the review is not yet complete, the revised structure will only enhance and formalise the improvements already implemented.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	**Business Continuity and Risk Assessment of System Failure** SIAS Recommendation We recommend that business continuity plans are drafted to support service delivery in the event of system or supplier failure. A formal risk assessment should be completed and documented with subsequent mitigation plans recorded and put in place. In addition to the above, we recommend that NEC's business continuity procedures and key contacts for external services are obtained and documented to support the services business continuity plans. Management Response There is already an existing IT disaster recovery plan that would clearly include the NEC system. The NEC system is situated on our own servers. There is a recognised procedure to report and escalate faults and problems with the existing NEC system and we have a dedicated Account Manager. A number of staff within the team have access to do this. NEC now offer a complete hosted solution that would remove the fear of system failure from the North Herts Council perspective. This proposal has been progressed by the Systems and Technical Manager and will be evaluated considering the cost and impact to see if there is a viable business case.	31 March 2023	**Implemented.** 30-Jun-2023 This action is complete, as measures are in place to address the associated risk highlighted in the audit report relating to system and functions failure. The NEC system forms part of the Council's overall Business Continuity Plans, and Risk Assessments have previously been completed for areas within the Revenues & Benefits Team. We have a dedicated NEC Account Manager and if the system fails in any way, we have access to the NEC Portal to log a Helpdesk Call, which will be prioritised depending on the severity of the issue. There is also a clear escalation process if required. We are also currently using the services of a remote database administrator (DBA) from NEC for a 12-month period, which increases visibility to NEC of any system issues should they occur. In addition, we plan to procure a new support and maintenance contract by the end of 2023/24, which will incorporate relevant KPIs and SLAs. As part of this exercise, we will also consider NEC's cloud hosted solution, although implementation will be dependent on the associated cost.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Business Continuity Planning (February 2023)	**Limited evidence of IT disaster recovery procedures and outdated policies** SIAS Recommendation All Business Continuity Plans should be reviewed periodically, with details of when the next review will be undertaken, in order to remain relevant to the current environment. IT services should have a more detailed IT plan regarding business continuity including all the procedures in place to prevent and recover from an incident and what those procedures depend on. These procedures should be reviewed regularly and made available for all relevant staff to ensure they are aware of their roles. Management Response Business continuity plans are currently being reviewed (January 2023) and will be updated to reflect the changes to the environment when laptop V3 is finalised. (April 2023) IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.	30 April 2023	**Partially Implemented.** Rollout of V3 laptops is almost complete. Consultation with external suppliers on the detailed IT plan completed. Documents are being accepted and distributed. The revised forecast completion date is now end of August 2023.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Climate Emergency (February 2023)	**Insufficient capacity to deliver the climate objectives in the strategy** SIAS Recommendation 1. The Council should estimate the staff time required to undertake climate actions / projects. This could be a RAG rating system with estimated 'small', 'medium' or 'large' time resource requirements. 2. When the SMART actions/projects and related action plans are developed, the Council should consider the feasibility of the planned actions, including cost and resource availability. This would also provide greater insight for management into the timeliness of the actions/projects and whether the Council is on track to achieve it. 3. The Council should ensure that it is clear on its risk appetite (i.e. the risk of not achieving the climate objectives), and to give clear direction on prioritisation of resources 4. The Council should see if it is feasible to amend job descriptions to incorporate climate related responsibilities to ensure that staff are aware of the importance of the Council's strategy on climate change. This could also be done by adding a responsibility for staff to work towards the Council Plan (for which suitability is a priority). Management Response 1. Agreed. Will explore RAG rating (Climate change lead; Policy team). 2. This is part of the embedding of Climate Strategy actions into the Council Delivery Plan. See above for information on plans to develop a clearer system for transferring Climate Actions to Council Delivery and Service Plans (Climate change lead; Policy team). 3. Agree. Discussion needed. (Climate change lead). 4. Agree. This will require a discussion at implementing this with HR. Query what this will achieve – this may be 'Green washing' in function only and not change a culture change within the council. Would all other functions of council officers need to be added in similar fashion? (Climate Change Lead; Policy Team; HR).	31 March 2024	**Partially Implemented** Since the publication of the Final Internal Audit Report, the new Council Delivery Plan for 2023/24 has been developed and agreed. This includes a number of climate related projects. Further work to address the points highlighted in this High Priority recommendation and to ensure there is capacity to deliver the Climate Change Strategy objectives will be taken forward by the new Climate Change & Sustainability Project Manager. This includes ensuring related actions are SMART and developing processes by which actions are incorporated into future Council Delivery Plans/Service Plans.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Risk and Performance Management (April 2023)	**Risk Training for Officers and Councillors** SIAS Recommendation 1. Members of the Committees charged with the oversight of risks and risk management (O&S and FARC) or who need to understand risk attached to their decisions (Cabinet) will receive a bespoke level of training appropriate to their risk responsibilities. 2. Mandatory general risk management training should be given to all Councillors – at their induction. 3. Risk training is available to all staff, but it is only mandatory for those members of staff with risk management responsibilities. It should be made clear to staff if they are required to complete the training and how often. Management Response 1. To carry out further training with members of Finance, Audit and Risk Committee during the year. To also carry out risk training with Political Liaison Board (PLB) which includes Cabinet Members and Officer Leadership Team. 2. New members have an induction programme that includes a session on finance. That session will be extended to also include a section on Risk. 3. Agreed. We will undertake a review of the growzone training and update to clarify who should undertake the training and when.	30 June 2023 and 31 December 2023	**Partially Implemented** All new and existing Members were invited to attend the Finance and Risk training session delivered by the Service Director: Resources on 7 June 2023. The Performance and Risk Officer has met with Learning & Development to progress a review of GrowZone training. This work is now expected to be completed by the end of September 2023. All senior managers will be required to undertake the updated training and to revisit the e-learning module every two years.