



# INTERNAL AUDIT PROGRESS REPORT

## NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

8 NOVEMBER 2023

### RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 20 October 2023.
- Note the implementation status of the reported high priority recommendation.
- Note the plan amendments to the 2023/24 Annual Audit Plan.

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# 1. Introduction and Background

## Purpose of Report

- 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 20 October 2023.
  - b) In-Year Audit Plan review and proposed plan amendments
  - c) An update on performance indicators as at 20 October 2023.

## Background

- 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

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 20 October 2023, 44% of the 2023/24 Audit Plan days had been delivered.
- 2.2 There have been two final internal audit reports issued as part of the approved 2023/24 Internal Audit Plan since the 13 September FAR Committee meeting:

<b>Audit Title</b>	<b>Assurance Opinion</b>	<b>Recommendations</b>
Harkness Court	N/A – Advisory / Consultancy	2 Medium
Churchgate Project Governance Framework	Reasonable	1 Medium, 1 Low

### High Priority Recommendations

- 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 was brought to FAR Committee on 13 September 2023. Three of the six high priority recommendations were reported as implemented and two have future implementation dates. The high priority recommendation on Business Continuity Planning has been included again at Appendix D as the implementation date has now passed.

### 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 20 October 2023
Draft / Final Report Issued	6	25%	9 (38%)
In Fieldwork / Quality Review	4	17%	3 (12%)
Terms of Reference Issued / In Planning	7	29%	5 (21%)
Not Yet Started	7	29%	7 (29%)

- 2.7 Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 20 October 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 20 October 2023	Actual to 20 October 2023
<b>1. Planned Days</b> - Percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	50% (128 / 255 days)	44% (113 / 255 days)
<b>2. Planned Projects</b> Percentage of audit plan delivered to draft report stage by 31 March 2023	90%	38% (9 / 24 projects)	25% (6 / 24 projects)
Percentage of audit plan delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	21% (5 projects)	17% (4 projects)
<b>3. Client Satisfaction</b> - Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	50% for those returned (2 returned from 15 issued)
<b>4. Number of High Priority Audit Recommendations agreed %</b> Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

2.8 In respect of delivery of Planned Days, performance is behind the profiled target as it was originally anticipated that fieldwork would have been able to commence, be further advanced or complete on the Digital Strategy audit from quarter one and three second quarter audits (Houses in Multiple Occupation (HMO), Churchgate Landlord Compliance and Software Licensing. The Churchgate Landlord Compliance audit commenced in late September 2023, but is awaiting key documentation before it progresses further.

2.9 In respect of Planned Projects, it was anticipated that draft reports would have been issued for the Digital Strategy, Software Licensing and HMO audits based on original scheduling at the start of the year. Fieldwork is complete on the first two audits with exit meetings scheduled, while the HMO audit has now been deferred to quarter 4 at the Council's request. Some in-year movement is always anticipated as the Audit Plan needs to be dynamic and flexible within reason to respond to both new risks and audits, as well as changes in circumstance (e.g., resourcing) with both the Council and SIAS team. The latter sometimes has a delivery impact on the performance indicators, but all parties work to ensure that this is minimised or mitigated as far as possible.

2.10 The one customer satisfaction survey not at 'Satisfactory' level was marginally below the required scoring and scored reasonably strongly in some areas. All learning points are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.

2.11 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 20 OCTOBER 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				
<b>High Priority Audits (48 days)</b>									
Churchgate – Project Governance Framework	Reasonable	0	0	1	1	15	BDO	15	Final Report Issued
Churchgate Landlord Compliance						11	SIAS	1	In Planning
Churchgate – Ongoing Project Assurance						11	BDO	2	ToR Issued
Council Tax Reduction Scheme						11	SIAS		Q4 – Not yet started
<b>Medium Priority Audits (79 days)</b>									
Freedom of Information						8	SIAS	7.5	Draft Report Issued
Safer Recruitment						9	SIAS	8.5	Draft Report Issued
Houses in Multiple Occupation						9	SIAS	2.5	In Fieldwork – Deferred to Q4
Estates						9	SIAS	0.5	In Planning
Ombudsman Complaints						9	SIAS	2.5	In Fieldwork
Project Management						9	SIAS	0.5	In Planning
MSU Transactions						8	SIAS	0.5	In Planning
Agency Staffing						9	SIAS		Q4 – Not yet started
Emergency Planning						9	SIAS		Q4 – Not yet started
<b>IT Audits (32 days)</b>									
Software Licensing						10	BDO	8.5	In Fieldwork
Critical Applications						10	BDO	2	ToR Issued

**APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 20 OCTOBER 2023**

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	2	ToR Issued
<b>Consultancy and Advisory (30 days)</b>									
Strategic Planning (Local Plan)						10	SIAS		Q4 – Not yet started
Harkness Court	N/A	0	0	2	0	10	BDO	10	Final Report Issued
Digital Strategy						10	BDO	8.5	In Fieldwork
<b>Grant Claims / Charity Certification (8 days)</b>									
King George V Playing Fields						1.5	SIAS		Q4 work to be b/f to Q3
Workman’s Hall						1.5	SIAS		Q4 work to be b/f to Q3
Miscellaneous Grants						5	SIAS		Through year
<b>Contingency (5 days)</b>									
Contingency						5			
<b>Client Management - Strategic Support (38 days)</b>									
CAE Annual Opinion report						3	SIAS	3	Complete
Audit Committee						8	SIAS	4.5	Through Year
Performance Monitoring						7	SIAS	4	Through Year
Client Liaison						7	SIAS	4	Through Year
Audit Planning 2023/24						8	SIAS	0.5	Not yet commenced
SIAS Development						5	SIAS	5	Through Year
<b>2022/23 Carry Forward (20 days)</b>									
Completion of outstanding 2022/23 projects		0	1	24	23	20	SIAS	20	Complete



**APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 20 OCTOBER 2023**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>1</b>	<b>27</b>	<b>24</b>	<b>260</b>		<b>112.5</b>	

**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**

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
<b>H</b>	Churchgate - Project Governance Framework <b>(Final Report Issued)</b>	Churchgate Landlord Compliance <b>(In Planning)</b>		Churchgate – Ongoing Project Assurance <b>(ToR Issued)</b>
				Council Tax Reduction Scheme
<b>M</b>	Freedom of Information <b>(Draft Report Issued)</b>	Safer Recruitment <b>(Draft Report Issued)</b>	Estates <b>(In Planning)</b>	Agency Staffing
		Houses in Multiple Occupation (HMO) <b>(In Fieldwork – deferred to Q4 at management request)</b>	Ombudsman Complaints <b>(In Fieldwork)</b>	Emergency Planning
			Project Management <b>(In Planning)</b>	
			MSU Transactions <b>(In Planning)</b>	
<b>IT</b>		Software Licensing <b>(In Fieldwork – closing meeting scheduled w/c 23/10)</b>	Critical Applications <b>(ToR Issued – scheduled to commence w/c 16/10)</b>	IT Disaster Recovery and Business Continuity <b>(ToR Issued)</b>
<b>C</b>	Harkness Court <b>(Final Report Issued)</b>			Strategic Planning (Local Plan)
	Digital Strategy <b>(In Fieldwork – closing meeting scheduled w/c 23/10)</b>			
<b>G/C</b>				King George V Playing Fields <b>(rescheduled for late Q3 at management request)</b>
				Workman’s Hall <b>(See above)</b>
<b>O</b>	2022/23 Carry Forward Audits <b>(Complete)</b>			

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

Key:

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

M – Medium Priority.

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	<b>Substantial</b>	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.
	<b>Reasonable</b>	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.
	<b>Limited</b>	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.
	<b>No</b>	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.
	<b>Not Assessed</b>	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	<b>Unqualified</b>	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.
	<b>Qualified</b>	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.
	<b>Disclaimer Opinion</b>	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.
	<b>Adverse Opinion</b>	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	<b>Critical</b>	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	<b>High</b>	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.
	<b>Medium</b>	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.
	<b>Low</b>	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
<p><b>Business Continuity Planning (February 2023)</b></p>	<p><b>Limited evidence of IT disaster recovery procedures and outdated policies</b></p> <p><u>SIAS Recommendation</u> 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.</p> <p>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.</p> <p><u>Management Response</u> 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)</p> <p>IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.</p>	<p>30 April 2023</p>	<p><b>Partially Implemented.</b></p> <p><b>September FAR Committee Update</b> 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.</p> <p><b>November FAR Committee Update</b> We have reviewed the current plans and identified the improvements required. We have implemented a new Back-Up procedure (different technology) and are currently documenting the recovery processes from that back-up. The revised completion date for this recommendation is 15 December 2023.</p>