INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
31 JANUARY 2024

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 12 January 2024.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2023/24 Annual Audit Plan.

Contents

Appendices

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 12 January 2024.
   b) In-Year Audit Plan review and proposed plan amendments.
   c) An update on performance indicators as at 12 January 2024.

<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 fourth 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 12 January 2024, 61% of the 2023/24 Audit Plan days had been delivered.

2.2 There have been five final internal audit reports issued as part of the approved 2023/24 Internal Audit Plan since the papers were issued for the 8 November 2023 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Freedom of Information	Reasonable	2 Medium, 3 Low
Safer Recruitment	Reasonable	3 Medium, 5 Low
Digital Strategy	N/A – Advisory	2 Medium
Workman's Hall	N/A - Independent Examiners Statement	N/A
King George V Playing Fields	N/A - Independent Examiners Statement	N/A

<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 was previously brought to FAR Committee on 13 September 2023 and 8 November 2023. The high priority recommendation on Risk Training for Councillors and Officers is now deemed to be implemented, while that for Business Continuity Planning is still considered to be partially implemented as the revised implementation date has now passed and a new implementation date has been advised. Please see Appendix D for further detail.

<u>Proposed Amendments</u>

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

<u>Performance Management: Reporting of Audit Plan Delivery Progress</u>

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 12 January 2024
Draft / Final Report Issued	11	46%	14 (58%)
In Fieldwork / Quality Review	7	29%	8 (33%)
Terms of Reference Issued / In Planning	5	21%	2 (9%)
Not Yet Started	1	4%	0 (0%)

2.7   Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 12 January 2024, 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 12 January 2024	Actual to 12 January 2024
1. **Planned Days** - Percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	69% (176 / 255 days)	61% (156 / 255 days)
2. **Planned Projects** Percentage of audit plan delivered to draft report stage by 31 March 2024	90%	58% (14 /24 projects)	46% (11 / 24 projects)
Percentage of audit plan delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	46% (11 projects)	38% (9 projects)
3. **Client Satisfaction -** Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	50% for those returned (2 returned from 18 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 behind the profiled target as, based on the original profiling, it was anticipated that fieldwork and / or reporting would have been able to commence, be further advanced or complete on the two remaining second quarter audits (Houses in Multiple Occupation (HMO) and Churchgate Landlord Compliance) and four of the third quarter audits (MSU Transactions, Project Management, Critical Applications and Estates).

2.9   In respect of Planned Projects, it was anticipated that draft reports would have been issued for the HMO, Churchgate Landlord Compliance and Critical Applications audits based on original scheduling at the start of the year or actual commencement dates. Fieldwork is complete on the latter two audits with exit meetings in the process of being scheduled, while the HMO audit was deferred to quarter 4 at the Council's request and a revised start date is being arranged.

2.10   The 2023/24 Internal Audit Plan was always heavily back ended with eight projects scheduled for commencement in quarter four under original profiling. There was thus an inherent, although not necessarily insurmountable, challenge in meeting delivery targets at the start of the year. This has been exacerbated by the HMO, MSU Transactions and Project Management audits being subsequently deferred to the

fourth quarter too. The first two were at Council management request, while the latter formed part of a prioritisation discussion between the Chief Audit Executive and Service Director (Resources).

2.11   The following sometimes inter-linked factors have also contributed to internal audit delivery being behind the profile:

a) Organisational capacity to support internal audit work (Council and SIAS),
b) Competing service priorities,
c) Other external reviews and consultants,
d) Audit fatigue as some service areas have accommodated multiple audits (feeling over-audited),
e) Delays in mobilising audits, obtaining evidence, and scheduling opening / closing meetings, and
f) Delays in signing the SIAS external delivery partner contract at the start of the year, which prevented the timely commencement of a limited number of Q1 audits.

2.12   Some in-year change 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. Where audits are deferred in-year, all parties work to ensure that this is minimised or mitigated as far as possible, and another audit will ideally be brought forward in its place. This is not always possible at short notice though and allocated resource may then be redeployed to other SIAS partners.

2.13   SIAS have allocated resource to all remaining projects in the 2023/24 Internal Audit Plan and start dates have already been scheduled or in are in the process of being agreed with the relevant service areas. SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.

2.14   No new customer satisfaction surveys have been received since the last FAR Committee. As previously reported, 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.

2.15   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 12 JANUARY 2024

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	Reasonable	0	0	1	1	15	BDO	15	Final Report Issued
Churchgate Landlord Compliance						11	SIAS	8.5	In Fieldwork
Churchgate – Ongoing Project Assurance						11	BDO	2.5	In Fieldwork
Council Tax Reduction Scheme						11	SIAS	0.5	In Planning
Medium Priority Audits (79 days)									
Freedom of Information	Reasonable	0	0	2	3	8	SIAS	8	Final Report Issued
Safer Recruitment	Reasonable	0	0	3	5	9	SIAS	9	Final Report Issued
Houses in Multiple Occupation						9	SIAS	2.5	In Fieldwork – Deferred to Q4
Estates						9	SIAS	2.5	In Fieldwork
Ombudsman Complaints						9	SIAS	8.5	Draft Report Issued
Project Management						9	SIAS	0.5	In Planning
MSU Transactions						8	SIAS	3	In Fieldwork
Agency Staffing						9	SIAS	1.5	ToR Issued
Emergency Planning						9	SIAS	0.5	In Planning
IT Audits (32 days)									
Software Licensing						10	BDO	9.5	Draft Report Issued
Critical Applications						10	BDO	8	In Fieldwork

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 12 JANUARY 2024

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	2.5	In Fieldwork
Consultancy and Advisory (30 days)									
Strategic Planning (Local Plan)						10	SIAS	0.5	In Planning
Harkness Court	N/A	0	0	2	0	10	BDO	10	Final Report Issued
Digital Strategy	N/A	0	0	2	0	10	BDO	10	Final Report Issued
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						1.5	SIAS	1.5	Final Report Issued
Workman's Hall						1.5	SIAS	1.5	Final Report Issued
Miscellaneous Grants						5	SIAS		Through year
Contingency (5 days)									
Contingency						5			
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
Audit Committee						8	SIAS	6	Through Year
Performance Monitoring						7	SIAS	6	Through Year
Client Liaison						7	SIAS	6	Through Year
Audit Planning 2023/24						8	SIAS	4	In Progress
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**	**34**	**32**	**260**		**156**	

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 12 JANUARY 2024

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 **(Final Report Issued)**	Churchgate Landlord Compliance **(In Fieldwork)**		Churchgate – Ongoing Project Assurance **(In Fieldwork)**
				Council Tax Reduction Scheme **(In Planning)**
M	Freedom of Information **(Final Report Issued)**	Safer Recruitment **(Final Report Issued)**	Estates **(In Fieldwork)**	Agency Staffing **(ToR Issued)**
		Houses in Multiple Occupation (HMO) **(In Fieldwork – deferred to Q4 at management request)**	Ombudsman Complaints **(Draft Report Issued)**	Emergency Planning **(In Planning)**
			Project Management **(In Planning - deferred to Q4 in discussion with management)**	
			MSU Transactions **(In Fieldwork – deferred to Q4 at management request)**	
IT		Software Licensing **(Draft Report Issued)**	Critical Applications **(In Fieldwork)**	IT Disaster Recovery and Business Continuity **(In Fieldwork)**
C	Harkness Court **(Final Report Issued)**			Strategic Planning (Local Plan) **(In Planning)**
	Digital Strategy **(Final Report Issued)**			
G/C				King George V Playing Fields **(Final Report Issued)**
				Workman's Hall **(Final Report Issued)**

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

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.
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
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.** **September FAR Committee Update** 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. **November FAR Committee Update** 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. **January FAR Committee Update** Good progress towards implementing this recommendation continues to be made. The target date for formalised ICT readiness for business continuity has now been amended to 31 January 2024 to allow us to update relevant controls to reflect lessons learned from the major incident experienced on 11 January 2024.
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.	30 June 2023 and 31 December 2023	**Implemented** **September FAR Committee Update** 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

Audit Title	Action Description	Original Due Date	Status and Notes
	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.		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. **January FAR Committee Update (as reported to FAR Committee on 13 December 2023, as part of the mid-year update on risk management governance)** Strategic finance and risk training sessions took place early summer 2023. These included sessions for Members (including Cabinet) and Senior Managers. Regular training sessions with FAR Committee members are taking place that focus on key topic areas. These have included topics linked to risk. These sessions will continue before each FAR Committee meeting. Part 1 of the recommendation now considered complete. A combined session on Finance and Risk Management was delivered on 7 June 2023, with all new and existing Members invited to attend. These combined sessions will continue as part of future Member inductions. Part 2 of the recommendation now considered complete. Updated e-learning module now available on GROW Zone and now incorporates a feedback form. Agreed that senior managers should undertake the training every 2 years. This will commence in July 2024 to coincide with the introduction of a new Learning and Development system. Part 3 of the recommendation now considered complete and plan to implement this change by July 2024 being developed.