



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

13 NOVEMBER 2024

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 25 October 2024.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2024/25 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 2024/25 as at 25 October 2024.
 - b) In-Year Audit Plan review and proposed plan amendments.
 - c) An update on performance indicators as at 25 October 2024.

Background

- 1.2 The 2024/25 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 13 March 2024.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the second report giving an update on the delivery of the 2024/25 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 25 October 2024, 46% of the 2024/25 Audit Plan days had been delivered.
- 2.2 There has been one final internal audit report issued as part of the approved 2024/25 Internal Audit Plan since the papers were issued for the 4 September 2024 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Public Sector Decarbonisation Scheme (Salix Grant) (Second Interim Report)	N/A	2 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 The high priority recommendation arising from the Agency Staffing audit is reported as implemented, as is the remaining (one of four) high priority recommendation from the Houses in Multiple Occupation audit. Please see Appendix D for further detail.
- 2.5 Two high priority findings were made in the Estates audit with respective implementation dates in September and December 2024. A verbal update will be provided at FAR Committee on the implementation status of the recommendation with a target date of 30 September 2024. The original recommendation and agreed management action are included at Appendix D.

Proposed Amendments

- 2.6 The Audit Plan approved by the FAR Committee in March 2024 contained an allocated number of plan days against audit areas such as General Audits, IT Audits and Consultancy and Advisory, but did not include an estimated number of plan days for completion of the planned individual internal audit projects. During the financial year, SIAS applies an estimated number of plan days against all individual internal audit projects as part of resource allocation and planning. These estimates are included in Appendix A – Progress against the 2024/25 Internal Audit Plan.
- 2.7 The Audit Plan is however designed to be dynamic and responsive to changed risk, circumstances and priorities, requests for new internal audit work, outcomes from scoping and planning of individual internal audit projects and amended resourcing requirements. Estimated plan days may also need to be changed as a result, and these amendments are communicated to the FAR Committee.
- 2.8 There have been two audit plan amendments agreed with management within this reporting period.
- a) The Project Prioritisation audit has been cancelled and replaced by a Purchasing Cards audit commencing in Q3. This will be considered again as part of 2025/26 internal audit planning, depending on the outcomes of the Corporate Peer Challenge and the external auditors Value for Money conclusion, which may report on this area as part of their respective scopes.
- b) The Churchgate – Project Assurance audit will no longer follow an embedded assurance approach across the year like the Public Sector Decarbonisation Scheme (Salix Grant) but will be a standalone audit currently scheduled to commence in late November / early December 2024 depending on outcomes from the November 2024 Churchgate Project Board meeting. The scope will cover the period since the two previous audits in this area completed as part of the 2023/24 Internal Audit Plan.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.9 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 a summary of performance based on the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 25 October 2024
Draft / Final Report Issued	6	27%	32% (7)
In Fieldwork / Quality Review	6	27%	27% (6)
Terms of Reference Issued / In Planning	6	27%	22% (5)
Not Yet Started	4	19%	19% (4)

- 2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2024. At 25 October 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 25 October 2024	Actual to 25 October 2024
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days)	95%	52% (135 / 260 days)	46% (120 / 260 days)
2. Project Delivery Percentage of audit plan projects delivered to draft report stage by 31 March 2025.	90%	32% (7 / 22 projects)	27% (6 / 22 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	23% (5 / 22 projects)	18% (4 / 22 projects)

3 Client Satisfaction - Percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%	100% for those returned. (1 returned from 14 issued since 1 April 2024)
4 Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

- 2.11 In respect of delivery of Planned Days, performance is behind the profiled target. Based on the original profiling at the start of the financial year, it was anticipated that fieldwork would have been able to commence, be further advanced or complete on more of the internal audit projects scheduled for commencement in quarter two.
- 2.12 Five projects with profiled quarter two start dates have been rescheduled for commencement in the third quarter. This is for a combination of factors linked to Council management requests, knock on effects of similar scheduling changes at other SIAS partners, internal matters within SIAS such as staff changes due to two recent vacancies and mobilisation time required where internal audit work is re-assigned either within SIAS or to our external delivery partners (BDO). Several of these have now started and are in the early stages of fieldwork, but there are nonetheless risks to the timely delivery of the Internal Audit Plan. Further details of the projects concerned are contained in Appendix B. Some degree of flexibility in scheduling is always anticipated, and every attempt is made to bring another project forward in place of one pushed back, however this does not always happen seamlessly and may not be optimal for either the Council or SIAS.
- 2.13 As previously reported, the project / embedded assurance and through year work on the Churchgate, New Finance System, Public Sector Decarbonisation Scheme and Assurance Mapping internal audit work is dependent on the timing, pace and progress of the underlying Council project being supported.
- 2.14 In respect of Planned Projects, it was anticipated that a draft report would have been issued for the Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment work based on original planning and commencement, however the audit remains in fieldwork.
- 2.15 SIAS have allocated resource to all remaining projects in the 2024/25 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.

- 2.16 No new customer satisfaction surveys have been received since the last SIAS Progress Update Report to FAR Committee in September 2024. Any learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.
- 2.17 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance's Annual Report:
- **Public Sector Internal Audit Standards** – the service conforms with the standards.
 - **Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
 - **Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 25 OCTOBER 2024

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
General Audits (98 days)									
Churchgate - Project Assurance						12	SIAS	0.5	In Planning
New Finance System						10	SIAS	0.5	In Planning
Public Sector Decarbonisation Scheme (Salix Grant)	N/A	0	0	1	5	12	SIAS	9	In Fieldwork (2nd interim report issued)
Training, Awareness and Induction						10	SIAS	3	In Fieldwork
Purchasing Cards						10	SIAS	3	In Fieldwork
UK Shared Prosperity Fund (UKSPF)						12	SIAS	0.5	In Planning
Operational Building Compliance						10	SIAS	0.5	In Planning
Local Authority Trading Companies						12	SIAS	3	In Fieldwork
Homelessness						10	SIAS	0	Not yet started
IT Audits (22 days)									
Cyber Security – Cyber Governance and Culture						11	BDO	2	ToR Issued

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 25 OCTOBER 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Cyber Security – Supply Chain Management						11	BDO	2	ToR Issued
Consultancy and Advisory (64 days)									
Assurance Mapping						28	SIAS	12	In Fieldwork
FAR Committee Review						11	BDO	10.5	Draft Report Issued
Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment						20	BDO	13	In Fieldwork
Garden Waste Reconciliation						5	SIAS	5	Draft Report Issued
Grant Claims / Charity Certification (5 days)									
King George V Playing Fields						1.5	SIAS	0	Not yet started
Workman’s Hall						1.5	SIAS	0	Not yet started
Miscellaneous Grants						2	SIAS	0	Not yet started
Contingency (0 days)									
Contingency						0		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
FAR Committee						8	SIAS	6	Through Year
Plan Monitoring						8	SIAS	5.5	Through Year
Client Liaison						6	SIAS	4.5	Through Year
Audit Planning 2025/26						8	SIAS	0	Quarter 3/4

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 25 OCTOBER 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
SIAS Development						5	SIAS	3.5	Through Year
2023/24 Carry Forward (33 days)									
Completion of outstanding 2023/24 projects:						4	SIAS	4	Complete
Business Continuity and Emergency Planning	Reasonable	0	0	0	1	5	SIAS	5	Final Report Issued
Project Management	Not Assessed	0	0	2	0	8	SIAS	8	Final Report Issued
Houses in Multiple Occupation	Limited	0	4	4	3	8	SIAS	8	Final Report Issued
Estates	Limited	0	2	1	0	8	SIAS	8	Final Report Issued
Total - North Herts D.C.		0	6	8	9	260		120	

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 2024/25 Internal Audit Plan.

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
General		Churchgate – Project Assurance (through year) (In Planning – moved to Q3)	Churchgate – Project Assurance (In Planning)	Churchgate – Project Assurance (through year) (In Planning)
	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork - 1st Interim Report Issued)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork - 2nd Interim Report Issued)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)
		New Finance System (In Planning – moved to Q3)		
		Local Authority Trading Companies (In Fieldwork – moved to Q3)	UK Shared Prosperity Fund (UKSPF) (In Planning)	
		Project Prioritisation – (replaced by Purchasing Cards and moved to Q3)	Operational Building Compliance (In Planning)	
		Training, Awareness and Induction (In Fieldwork – moved to Q3)	Purchasing Cards (In Fieldwork – replaced Project Prioritisation)	Homelessness (Not yet started)
IT			Cyber Security – Cyber Governance and Culture (ToR Issued)	Cyber Security – Supply Chain Management (ToR Issued)
C	FAR Committee Review (Draft Report Issued)	Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment (In Fieldwork)		
	Assurance Mapping (through year) (In Fieldwork – through year)	Assurance Mapping (through year) (In Fieldwork – through year)	Assurance Mapping (through year) (In Fieldwork – through year)	Assurance Mapping (through year) (In Fieldwork – through year)
	Garden Waste Reconciliation (Draft Report Issued)			
G/C				Workman’s Hall (Not yet started)
				King George V Playing Fields (Not yet started)
C/F	2023/24 Carry Forward Audits (Complete)			

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Business Continuity and Emergency Planning (Final Report Issued)			
Project Management (Final Report Issued)			
Houses in Multiple Occupation (Final Report Issued)			
Estates (Final Report Issued)			

Key:

General –Closely linked to the Council’s AGS, Delivery Plan and Risk Register

IT – IT Audits

C – Consultancy and Advisory: 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

C/F – Carry Forward Audits from 2023/24

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

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
<p>Agency Staffing</p>	<p>Potential breach of employment legislation - agency workers' rights after 12 weeks</p> <p><u>SIAS Recommendation</u></p> <ol style="list-style-type: none"> 1. We recommend that if an agency worker has a contract extended past the 12-week timeframe or in fact employed for longer than 12 weeks at the start of their employment the hiring manager must advise HR and Finance of this to ensure the agency workers' rights are respected. 2. The hiring manager and / or HR should communicate with the agency staff employee to obtain confirmation or acknowledgment of their workers' rights and allow the option to opt out of the Council's corporate pension scheme. Relevant processes may need to be built around this especially where recruitment takes place outside of the ECC contract. 3. There also needs to be an explicit clarification of responsibility between the hiring managers and HR, given the inconsistencies in understanding who is responsible for the different aspects of hiring temporary / agency staff. 4. HR should be in a position to provide advice in any event, should it be required. <p><u>Management Response</u></p> <ol style="list-style-type: none"> 1. Update temporary workers policy. Communicate change to managers through DMTs, HR managers update, SMG and the Hub. 	<p>31 July 2024</p>	<p>September FAR Committee Update</p> <p>Partially Implemented.</p> <p>Progress has been made towards implementing this recommendation, and the other recommendations from the audit with an original target date of 31 July 2024, and work on these actions is nearly complete. However, an issue has been identified that requires further investigation, which will impact the launch of updated policy and guidance documents. In view of this, and other diary commitments including annual leave, the actions to implement the recommendation will now be completed by 20 September 2024.</p> <p>November FAR Committee Update</p> <p>Implemented.</p> <p>The agreed actions included in the audit report were completed by the previously advised revised target date of 20th September 2024.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>2. HR to arrange automated notification of agency worker start date through the new starter process and create process for line managers to ensure opt out is complete prior to 12 weeks.</p> <p>3. NHC are aware of the residual risk around agency workers passing 12 weeks, risk register to be updated accordingly.</p> <p>4. Review of responsibilities to take place as part of policy update. CPD to continue within HR team. Reiterated at RPRs.</p>		
<p>Houses in Multiple Occupation</p>	<p>Consulting with the Fire Officer</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • Fire Officer Consultations are undertaken for all HMO applications and the role and responsibility for their undertaking is captured in operational procedures and checklist prerequisites on Tascomi. • An exercise is undertaken to check existing HMO licences and consultation made with the Fire Officer, where this has not taken place. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>14 August 2024</p> <p>30 September 2024</p>	<p>September FAR Committee Update</p> <p>Partially Implemented</p> <p>In progress and expected to be completed by the target date. Consultation with the Fire Service has now been added to operational procedures and to Tascomi, and the exercise to check existing HMO licences and Fire Officer consultation is still ongoing.</p> <p>November FAR Committee Update</p> <p>Implemented.</p> <p>The requirement to consult with the Fire Service has now been added to operational procedures and to Tascomi. The checking of existing HMO licences and Fire Officer consultation is now picked up via interim HMO reviews.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Estates</p>	<p>Property Management / Estates Database</p> <p><u>SIAS Recommendation</u></p> <p>During the audit, we were provided with a copy of the database used by the previous Properties and Estates Manager. This had not been updated since 2018 and contained rent review and lease renewal data that was out of date, incomplete and inaccurate and did not adequately facilitate the reporting and monitoring of the known rent review backlog, including which properties were affected, how many rent reviews were due, and how much time had elapsed since the rent review fell due.</p> <p>We noted that the Estates team are currently in the process of collating property data from across the Council to create an up-to-date master spreadsheet. This was an action in progress at the time of our review, and not yet completed.</p> <p>The team have a filing system which is currently shared with the Property Management Team. We noted that the system includes documents that are not of relevance to the Estates team, and it has proven difficult to locate key documentation to support internal audit testing.</p> <p>The Local Government Transparency Code 2015 states that “Local authorities must publish details of all land and building assets”. The team informed us that the Council’s asset register was last updated in 2022, and they are not sure how accurate the entries are. The team are aware that it is a piece of work they need to complete as part of their new role, and this will be facilitated by the work on the property database.</p>	<p>30 September 2024</p>	<p>November FAR Committee Update</p> <p>Verbal update to be provided.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p><u>Management Response</u></p> <p>The master up to date spreadsheet to accord with the leases in place, current rents and finance records is under construction. Once accurately captured in Excel form, a review will be undertaken to decide if the current property management system is updated, or a new system will be more appropriate for the Council's needs and to deliver recommendations a) to e).</p>		