



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

5 FEBRUARY 2025

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 17 January 2025.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2024/25 Annual Audit Plan.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.5 Proposed Amendments
 - 2.9 Performance Management

Appendices

- A Progress against the 2024/25 Audit Plan
- B 2024/25 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2024/25
- D Implementation Status of High Priority Recommendations

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 17 January 2025.
 - b) In-Year Audit Plan review and proposed plan amendments.
 - c) An update on performance indicators as at 17 January 2025.
 - d) The implementation status of high priority internal audit recommendations.

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 fourth 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 17 January 2025, 71% of the 2024/25 Audit Plan days had been delivered.
- 2.2 There have been two final internal audit report issued as part of the approved 2024/25 Internal Audit Plan since the papers were issued for the 13 November 2024 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Public Sector Decarbonisation Scheme (Salix Grant) (Third Interim Report)	N/A	2 Advisory Actions
FAR Committee Review	N/A – Consultancy and Advisory	3 Medium and 1 Low Priority

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 Two high priority findings were made in the Estates audit with respective implementation dates in September and December 2024. The service has advised that implementation of both should be complete by a revised target date of 1 March 2025. The original recommendations and agreed management actions are included at Appendix D.

Proposed Amendments

- 2.5 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.
- 2.6 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.
- 2.7 There has been one audit plan amendment agreed with management within this reporting period:
- a) The UK Shared Prosperity Fund (UKSPF) audit has been deferred to 2025/26 and replaced by a Performance Indicators audit commencing in Q4. This will be included as part of the 2025/26 Internal Audit Plan. Performance management and performance indicators featured in the narrative and recommendations of the LGA Corporate Peer Challenge Report, and this will form the basis of the review.

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 17 January 2025
Draft / Final Report Issued	10 (2/8)	45%	55% (12)
In Fieldwork / Quality Review	8 (4/4)	36%	31% (7)
Terms of Reference Issued / In Planning	3 (1/2)	14%	14% (3)
Not Yet Started	1	5%	0% (0)

2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2024. At 17 January 2025, 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 17 January 2025	Actual to 17 January 2025
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days)	95%	75% (196 / 260 days)	71% (184 / 260 days)
2. Project Delivery Percentage of audit plan projects delivered to draft report stage by 31 March 2025.	90%	55% (12 / 22 projects)	45% (10 / 22 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	27% (6 / 22 projects)	36% (8 / 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. (2 returned from 15 issued since 1 April 2024)
4 Number of High Priority Audit Recommendations agreed %	95%	100%	100%

Percentage of critical and high priority recommendations accepted by management.			
--	--	--	--

- 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.
- 2.12 Five projects with profiled quarter two start dates were rescheduled for commencement in the third and fourth 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 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 various stages of completion, 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 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. The Churchgate and New Finance System audits were originally due to follow the project / embedded assurance but are now standalone audits.
- 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 and Training, Induction and Awareness work based on original planning and commencement, however the audits are at Quality Review stage.
- 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 One new customer satisfaction survey has been received since the last SIAS Progress Update Report to FAR Committee in November 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:

- **5. Public Sector Internal Audit Standards** – the service conforms with the standards.
- **6. 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.
- **7. 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 17 JANUARY 2025

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	2.5	In Fieldwork
New Finance System						10	SIAS	2	ToR Issued
Public Sector Decarbonisation Scheme (Salix Grant)	N/A	0	0	1	5	12	SIAS	11	Three Interim Final Reports issued. Fieldwork through year and ongoing. Overall report to be issued at year end.
Training, Awareness and Induction						10	SIAS	9	Quality Review
Purchasing Cards						10	SIAS	9.5	Draft Report Issued
Performance Indicators						12	SIAS	1	In Planning
Operational Building Compliance						10	SIAS	4	In Fieldwork
Local Authority Trading Companies						12	SIAS	11	Quality Review
Homelessness						10	SIAS	0.5	In Planning
IT Audits (22 days)									

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 17 JANUARY 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Cyber Security – Cyber Governance and Culture						11	BDO	8.5	In Fieldwork
Cyber Security – Supply Chain Management						11	BDO	3	In Fieldwork
Consultancy and Advisory (64 days)									
Assurance Mapping						28	SIAS	20	Quality Review
FAR Committee Review	N/A	0	0	3	1	11	BDO	11	Final Report Issued
Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment						20	BDO	18	Quality Review
Garden Waste Reconciliation						5	SIAS	5	Draft Report Issued
Grant Claims / Charity Certification (5 days)									
King George V Playing Fields	Unqualified	0	0	0	0	1.5	SIAS	1.5	Final Report Issued
Workman’s Hall	Unqualified	0	0	0	0	1.5	SIAS	1.5	Final Report Issued
Miscellaneous Grants						2	SIAS	0	Allocated
Contingency (0 days)									
Contingency						0		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
FAR Committee						8	SIAS	7	Through Year
Plan Monitoring						8	SIAS	8	Through Year

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 17 JANUARY 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Client Liaison						6	SIAS	5	Through Year
Audit Planning 2025/26						8	SIAS	4	Quarter 3/4
SIAS Development						5	SIAS	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	11	10	260		184	

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 (In Fieldwork – moved to Q3 start from Q2)	
	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 and 3rd Final Interim Reports Issued)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork – final overall report to be issued March 2025)
		New Finance System (ToR Issued – moved to Q4 start)		
		Local Authority Trading Companies (Quality Review – moved to Q3 start)	UK Shared Prosperity Fund (UKSPF) (replaced by Performance Indicators and moved to Q4)	Performance Indicators (replaced UK Shared Prosperity Fund (UKSPF) (In Planning and moved to Q4))
		Project Prioritisation – (replaced by Purchasing Cards and moved to Q3 start)	Operational Building Compliance (In Fieldwork)	
		Training, Awareness and Induction (Quality Review – moved to Q3 start)	Purchasing Cards (Draft Report Issued – replaced Project Prioritisation from Q2)	Homelessness (In Planning)
IT			Cyber Security – Cyber Governance and Culture (In Fieldwork)	Cyber Security – Supply Chain Management (In Fieldwork)
C	FAR Committee Review (Draft Report Issued)	Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment (Quality Review)		
	Assurance Mapping (through year) (Quality Review)	Assurance Mapping (through year) (Quality Review)	Assurance Mapping (through year) (Quality Review)	Assurance Mapping (through year) (Quality Review)
	Garden Waste Reconciliation (Draft Report Issued)			

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

G/C				Workman's Hall (Final Report Issued)
				King George V Playing Fields (Final Report Issued)
C/F	2023/24 Carry Forward Audits (Complete)			
	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>Estates</p>	<p>Property Management / Estates Database</p> <p><u>Finding</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 2024 FAR Committee Update</p> <p>Verbal update provided.</p> <p>February 2025 FAR Committee Update</p> <p>Good progress has been made. The master spreadsheet has been populated with the core data from existing sources, including finance records. We are now cross referencing and doing a manual check of the data to confirm the correct status of all lettings. This action is therefore ongoing, with a revised target date of 1 March 2025.</p> <p>Once accurately captured in Excel form, this will enable us to satisfy the recommendations in the case of alerts for review dates and update the asset register. A review can then 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> <p>The review of systems is also part of the Digital Transformation project work within the Council. They are undertaking a wider options evaluation for Uniform (the current system), to see if they can recreate the components in house. We have inputted into this so they can map out the processes and</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> a) Once the data in the master Excel spreadsheet has been collated, the service create a formal property management system / database. The system should include automated notifications or alerts to support timely identification of properties requiring rent reviews and lease renewals such as trigger dates for action. b) The property management database presents the rent review and lease renewal data in a way which clearly records when it falls due as per the lease, when it took place took place, the frequency of rent reviews as outlined in the lease, and (where applicable) the length of time the rent review overran by (if relevant). c) The property management database has a performance functionality to facilitate production of monitoring and exception reports. d) The document management system is maintained so all leases, rent reviews, trigger letters, and correspondence are maintained in relevant folders, or attached to relevant properties on the database, and are easy to access. e) The Council's asset register should be updated on completion of the property master Excel spreadsheet. <p><u>Management Response</u></p>		<p>functionality it provides and get an idea of what would need to be built (or possibly procured).</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<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>		
<p>Estates</p>	<p>Backlog of Rent Reviews</p> <p><u>Finding</u></p> <p>Our sample testing of five properties confirmed that four out of five rent reviews were overdue by between one and three years.</p> <p>As acknowledged, there is a new Estates team in place, and they are still identifying the scale and extent of rent reviews not yet completed. Through discussion, we found all members of the team will be responsible for conducting reviews going forward, unless the reviews are complex and have to be allocated externally.</p> <p>The Principal Estates Surveyor stated that there is not currently a policy in place to establish the principles and approach by which the Council will set rent levels and service charges for its commercial properties.</p> <p><u>SIAS Recommendation</u></p> <p>Linked to recommendation one above on the property management database and existing action being taken by the Estates Team, we recommend that the Estates team have a means to ensure that rent reviews and lease renewals are identified, scheduled and</p>	<p>31 December 2024</p>	<p>February 2025 FAR Committee Update</p> <p>There has been a delay completing the required actions, which have taken longer to finalise alongside ongoing management work and other priorities. The Estates team have prepared a comprehensive master spreadsheet of lettings and are populating rent review and lease renewal dates to ensure they are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner. This work is close to completion and a revised target date of 1 March 2025 should be achievable.</p> <p>The team has been pressing ahead with identifying all outstanding rent reviews, together with rent reviews that will fall due over the next eleven months. As part of this, the team are finalising an estimate of the likely level of increase in rent following the review for each investment property, based on the estimated rent values provided by the valuer as part of last year's asset valuations. The likely level of increase in</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>prioritised to ensure they are initiated and completed in a timely manner.</p> <p>The process needs to be supported by:</p> <p>a) Adequate capacity, skills and experience within the team, and</p> <p>b) Creation of relevant rent charging policies and / or procedures, that have been approved by senior officers and members (as appropriate).</p> <p><u>Management Response</u></p> <p>As per recommendation above plus additional procedures for undertaking the reviews.</p>		<p>rent will be of use in selecting which rent reviews from the backlog should be prioritised. We expect to complete this exercise and report with a schedule of the reviews in the next month to share with SLT and Exec Members.</p> <p>Preliminary consideration has been given as to whether external agents should be engaged to conduct some of the more significant outstanding rent reviews given current constraints on officer time. A conclusion should be reached on the appropriate way forward shortly.</p> <p>Pending finalisation of a programme for dealing with the backlog of rent reviews (and those which will fall due this year), we have been pressing ahead with resolving those rent reviews where the tenant has already engaged with the rent review process. Progress has also been made with rent reviews where the Council is the tenant rather than the landlord.</p>