



East Herts Council
Audit and Governance Committee

25 January 2022
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Changes to the Internal Audit Plan as of 7 January 2022
- c) Note the Status of Critical and High Priority Recommendations

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1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2021/22 Internal Audit Plan to 7 January 2022.
 - The findings for the period 23 October 2021 to 7 January 2022.
 - Details of any changes required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information to 7 January 2022.

Background

- 1.2 Internal Audit's Annual Plan for 2021/22 was approved by the Audit and Governance Committee at its meeting on 16 March 2021. The Audit and Governance Committee receive periodic updates against the Internal Audit Plan. This is the third update report for 2021/22.
- 1.3 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As of 7 January 2022, 57% of the 2021/22 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Progress Report to the Audit and Governance Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Property Investment 2021/22	November 2021	Substantial	None
Contract Management 2021/22	December 2021	Reasonable	Three Medium Priority
COVID-19 Pandemic Response 2021/22	December 2021	Not Assessed	None
Safeguarding 2021/22	December 2021	Reasonable	One Medium Priority
Business Rates 2021/22	January 2022	Substantial	One Medium Priority
Economic Development 2021/22	January 2022	Reasonable	One Medium and One Low Priority

- 2.3 The table below summarises the position regarding delivery of the 2021/22 approved projects to 7 January 2022. Appendix A provides a status update on each individual project within the 2021/22 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	9	35%
Draft Report Issued	2	8%
In Fieldwork/Quality Review	1	4%
In Planning/Terms of Reference Issued	7	27%
Allocated	3	11%
Not Yet Allocated	0	0%
Cancelled/Deferred	4	15%
Total	26	100%

Proposed Audit Plan Changes

- 2.4 The following Audit Plan change was agreed with management and is reported to the Committee:
- a) Resources Utilisation (12 days) – audit intended for quarter 3 but now cancelled after discussions with the Head of Strategic Finance and Property. Audit days have been returned to contingency.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations. No new Critical or High Priority recommendations have been added to the schedule.

Performance Management

- 2.7 The 2021/22 annual performance indicators were approved at the SIAS Board meeting in March 2021.

- 2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 7 Jan 2022
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	60% (163/273 days)	57% (155.5/273 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	54% (12/22 projects)	50% (11/22 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (1 High Agreed)

Note (1) – 1 received in 2021/22, this relating to a 2020/21 audit where the final report was issued after 1st April 2021.

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

2021/22 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 71 days									
Provision for full or targeted audit of one or more key financial systems. Mapping the remaining key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion									
Business Rates (full audit)	Substantial	0	0	1	0	71	Yes	26.5	Final Report Issued
Council Tax (full audit)									Draft Report Issued
Housing Benefits (full audit)									Draft Report Issued
Treasury Management (mapping)									In Planning
Debtors (mapping)									In Planning
Creditors (mapping)									In Planning
Payroll (mapping)									In Planning
Main Accounting (mapping)									Allocated
Operational Audits – 115 days									
Resources Benefits Realisation						0	N/A	0	Cancelled
Capital Programme Delivery						12	Yes	0.5	In Planning
Corporate Capacity						1	N/A	1	Cancelled
Contract Management	Reasonable	0	0	3	0	10	Yes	10	Final Report Issued
COVID-19 Pandemic Response	Not Assessed	0	0	0	0	12	Yes	12	Final Report Issued
Fly-Tipping	Reasonable	0	0	5	2	11	Yes	11	Final Report Issued
Property Investment	Substantial	0	0	0	0	10	Yes	10	Final Report Issued
Licensed Premises						10	Yes	0	Allocated
Economic Development	Reasonable	0	0	1	1	12	Yes	12	Final Report Issued
Equalities	Not Assessed	0	1	5	1	12	Yes	12	Final Report Issued
Safeguarding	Reasonable	0	0	1	0	10	Yes	10	Final Report Issued
Temporary Accommodation/Rough Sleepers						10	Yes	0	Allocated

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Homes England grant compliance audit	Unqualified	0	0	0	0	5	Yes	5	Complete
Follow Up Audits – 6 days									
Follow Up 1						0	N/A	0	Cancelled
Follow Up 2 (Payment Card Industry – Data Security Standards)						6	Yes	0.5	Deferred to Q1 2022/23
Risk Management and Governance – 12 days									
Provision for full or targeted audits or mapping the lines of assurance to inform the annual assurance opinion						12	Yes	1.5	In Planning
IT Audits – 16 days									
IT Resilience						6	Yes	0	In Planning
Cyber Security Assurance Mapping						10	Yes	7.5	In Fieldwork
Shared Learning and Joint Reviews – 6 days									
Joint Review(s) – Topics to be confirmed by SIAS Board						6	No	1.5	Allocated
Follow Up of Audit Recommendations – 4 days									
Follow up of critical and high priority audit recommendations						4	Yes	3	Through Year
Completion of 2020/21 Projects – 3 days									
Various						3	Yes	3	Complete
Contingency – 27 days									
Contingency						27	N/A	0	Through Year
Strategic Support – 40 days									
Head of Internal Audit Assurance Opinion 2020/21						3	Yes	3	Complete
External Audit Liaison						1	Yes	1	Through Year
Audit Committee						8	Yes	6.5	Through Year

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Client Meetings & Ad hoc Advice						7	Yes	4	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	8.5	Through Year
SIAS Development/External Quality Assessment						5	Yes	5	Complete
Audit Planning 2022/23						4	Yes	0.5	Through Year
EHC TOTAL		0	1	16	4	300		155.5	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit and Governance Committee Members with a summary of the most recent update provided by management in respect of outstanding high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
1.	<p>Payment Card Data Security Standard (2020/21).</p>	<p><u>Recommendation:</u> <u>PCI-DSS Self-Assessment & Compliance Structure.</u> The Council has not completed a SAQ and does not have a formal PCI-DSS compliance strategy/program in place to meet required data security standards. As the option for non-compliance was taken several years ago and since that point there have been multiple personnel changes, the Council should re-assess the level of risk and decide if the non-compliant route is still the most preferred option. A cross-Council PCI-DSS working group should be established to focus on assessing the level of risk presented by sustained non-compliance with the PCI-DSS. This group's primary objective should be to determine whether to accept the level of risk and continue to pay the monthly penalty imposed by WorldPay or agree roles and responsibilities to engineer and maintain compliance with the published standards. Should the decision be made to focus on compliance, the Councils are recommended to consult the best practice guidance produced by the PCI DSS Council in January 2019.</p> <p><u>Agreed Management Action(s):</u> The s.151 officer has advised that the level of risk and the monthly fines for non-compliance does not represent proper management of financial affairs. In addition, the expansion of the number of services to be put on the web, which require the ability to have payment facilities, means that the Council must be PCIDSS compliant in order to proceed. Having previous experience of ICON it is not possible to achieve PCIDSS compliance with this software and suitable replacement software has been identified. This will be implemented jointly with Stevenage BC. A revised Information Security Policy has been developed and will be distributed to staff annually as part of the compliance process. This emphasises card security measures in the short term.</p>	<p>Responsible Officer: Head of Strategic Finance & Property.</p> <p>Due Date: 31 March 2022.</p>	<p><u>July 2021.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>October 2021.</u> The replacement of ICON has been included in the Transforming East Herts Programme as part of the Technology Workstream. We are currently working with Stevenage Borough Council to replace ICON at both councils, as a joint transformation project. We are on target to hit the 29/10/2021 target for a business case. The revised information security policy will be issued to all staff using ICON on 1 November 2021, which will be the annual date for the reissuing of the policy to all users. <u>January 2022.</u> Verbal update to be provided.</p>	<p>Partially implemented.</p>

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No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
2.	<p>Payment Card Data Security Standard (2020/21).</p>	<p><u>Recommendation:</u> <u>Roles and Responsibilities.</u> As a subsequent output from the formation of the cross-Council PCI-DSS working group, there should be named individuals assigned to steering the Councils compliance journey. Traditionally, the ownership of the compliance process may be the Head of Finance, as they generally occupy the position of signing off the annual Attestation of Compliance (AoC). But it must also be noted that much of the compliance structure content relates to technical configuration, so the Council should designate roles based on this dual ownership. Whilst Finance owns the overall compliance objective, the IT work stream owns the infrastructure that the payment systems sit on. Both departments should have an equal vested interest in compliance.</p> <p><u>Agreed Management Action(s):</u> The above will lead the new system implementation and compliance as he has done this at a previous authority. To achieve compliance the new system will not permit card number entry by staff. Instead, customers choosing to phone up to pay will be handed off to a secure IVR system and will need to enter card details on their phone keypad. Subsequent payments, providing it is for a service with an account number for the customer, e.g. Council Tax, then the system uses a secure token that shows the last 4 digits of the card number and the expiry date. The customer is asked to confirm the expiry date and payment can be taken from that card with no need for card input unless the card is replaced/renewed. About 60% of PCIDSS compliance relates to firewalls, encryption and network security and requires best practice testing and maintenance which will be usefully checked for PCIDSS compliance as well as the standard annual cyber security checks.</p>	<p>Responsible Officer: Head of Strategic Finance & Property.</p> <p>Due Date: 31 March 2022.</p>	<p><u>July 2021.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>October 2021.</u> See comment at 1. above.</p> <p><u>January 2022.</u> Verbal update to be provided.</p>	<p>Partially implemented.</p>

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No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
3.	Equalities (2021/22).	<p><u>Recommendation:</u> <u>Governance Structure.</u> The Equalities Officers Group should be reinstated.</p> <p>A clear terms of reference should be devised that covers:</p> <ul style="list-style-type: none"> • Key roles and responsibilities. • Routes for escalation of issues. • How the Equalities Officers Group interacts with the Overview Scrutiny Committee. • Monitoring and oversight requirements for the new Equalities Strategy. • Frequency of meetings. • Membership, which should include staff that are able to drive progress_against the strategy. <p><u>Agreed Management Actions:</u> Work has begun on this using the template provided and learning from existing structures within Herts County Council. We hope to have the first meeting of the group in September/ October.</p>	<p>Responsible Officer: Equalities Officer.</p> <p>Due Date: 31 December 2021.</p>	<p><u>October 2021.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>January 2022.</u> The Equalities Officer Group has met twice and has established a terms of reference.</p>	Implemented.

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2021 TO MARCH 2022) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Corporate Capacity Cancelled	Contract Management Final Report Issued	Local Taxation/Housing Benefits Final/Draft Reports Issued	Financial Systems In Planning
Fly Tipping Final Report Issued	COVID-19 Pandemic Response Final Report Issued	Resources Benefits Realisation Cancelled	Licensed Premises Allocated
Equalities Final Report Issued	Property Investment Final Report Issued	Capital Programme Delivery In Planning	Temporary Accommodation / Rough Sleepers Allocated
Audit Follow up Cancelled	Safeguarding Final Report issued	Economic Development Final Report Issued	Risk Management & Corporate Governance In Planning
	Homes England – Compliance Audit Final Report Issued	Cyber Security In Fieldwork (c/f from Q2)	IT Resilience In Planning
			Audit Follow up Deferred to Q1 22/23 (c/f from Q3)

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, 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 / Funding Certification Reviews	
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.
Recommendation 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.

