



East Herts Council
Audit & Governance Committee

30 January 2024
Shared Internal Audit Service –
Progress Report

Recommendations

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) 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 2023/24 Internal Audit Plan to 12 January 2024.
 - The findings for the period 11 November 2023 to 12 January 2024.
 - 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 12 January 2024.

Background

- 1.2 Internal Audit's Annual Plan for 2023/24 was approved by the Audit & Governance Committee at its meeting on 28 March 2023. The Audit & Governance Committee receive periodic updates against the Internal Audit Plan. This is the third update report for 2023/24.
- 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 details of changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As of 12 January 2024, 67% of the 2023/24 Internal 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 11 November 2023:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Planning & Development Fees	Nov 2023	Substantial	None
Software Licence Management 2022/23	Nov 2023	Limited	Two High, One Medium Priority
Housing Benefits	Dec 2023	Substantial	None
Debtors	Dec 2023	Reasonable	One Medium, One Low Priority
S106 Agreements	Dec 2023	Substantial	One Low Priority

Land Charges	Dec 2023	Reasonable	One Medium Priority
Council Tax	Jan 2024	Substantial	Two Low Priority

See definitions for the above assurance levels and recommendation priorities at Appendix D.

- 2.3 The table below summarises the position regarding delivery of the 2023/24 approved projects to 12 January 2024. Appendix A provides a status update on each individual project within the 2023/24 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	13	49%
Draft Report Issued	2	7%
In Fieldwork/Quality Review	4	15%
In Planning/Terms of Reference Issued	3	11%
Allocated	5	18%
Not Yet Allocated	0	0%
Cancelled/Deferred	0	0%
Total	27	100%

Internal Audit Plan Changes

- 2.4 There has not been any Internal Audit Plan changes during the year to date.

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. Two new recommendations have been added to the schedule, relating to software licence management.

Performance Management

- 2.7 The 2023/24 annual performance indicators were approved at the SIAS Board meeting in March 2023.

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	Performance Target for 31 March 2024	Profiled Performance 12 Jan 2024	Actual Performance 12 Jan 2024	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	71%	67%	160 days delivered out of the current 238 days planned
2. Planned Projects * – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2024	90%	63%	56%	15 projects to draft or final report from the 27 planned
3. Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	N/a	48%	New Indicator – first measurement will be May 2024 (Currently 13/27 delivered to final report)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%	Based on the results of the 4 completed questionnaire received (from the 13 issued)
5. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	95%	100%	3 High Priority recommendation made and agreed

* Based on Audit Plan 'deliverables' at draft, final and audit closed stage and items carried forward from 2022/23 that were not at draft report stage by 31 March 2023.

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit & Governance Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for

2023/24 as the audit plan for the financial year 2023/24 was presented to the Committee in March 2023.

- **7. Chief Audit Executive's Annual Report** – presented at the May meeting of the Audit & Governance Committee. This indicator was achieved for 2023/24 as the Client Audit Manager's Annual Report (for 2022/23) was presented to the May 2023 meeting of this committee.

Summary of Performance Against KPI's

- 2.10 Whilst Plan delivery is naturally subject to a continued stable establishment and availability of client officers to support audits, we currently report no risks to the delivery of a robust annual assurance opinion.

APPENDIX A - PROGRESS AGAINST THE 2023/24 INTERNAL 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 – 49 days									
Business Rates (shared with SBC)						49	Yes	34	Quality Review
Council Tax (shared with SBC)	Substantial	0	0	0	2		Yes		Final Report Issued
Housing Benefits (shared with SBC)	Substantial	0	0	0	0		Yes		Final Report Issued
Creditors							Yes		In Fieldwork
Debtors	Reasonable	0	0	1	1		Yes		Final Report Issued
Asset Management							Yes		Allocated
Treasury Management							Yes		Allocated
Main Accounting							Yes		Allocated
Payroll							Yes		In Planning
Operational Audits – 95 days									
S106 Agreements	Substantial	0	0	0	1	12	Yes	12	Final Report Issued
Land Charges	Reasonable	0	0	1	0	10	Yes	10	Final Report Issued
Community Grants & Funding						12	Yes	2	ToR Issued
Houses in Multiple Occupation	Reasonable	0	0	9	1	10	Yes	10	Final Report Issued
Environmental Health Case Management Record Keeping						15	Yes	3	In Fieldwork
Customer Services Cash Handling	Reasonable	0	0	4	0	8	Yes	8	Final Report Issued
Court Cost Tracking	Limited	0	1	1	1	10	Yes	10	Final Report Issued
Residents Parking Permits						8	Yes	7.5	Draft Report Issued
Planning & Development Fees	Substantial	0	0	0	0	10	Yes	10	Final Report Issued
On Demand Grant Audits – 7 days									
Next Steps Accommodation Programme	Unqualified	N/A				1	Yes	1	Final Report Issued
Grant Audit Contingency						6	N/A	0	Through Year
Corporate Services/Themes – 28 days									
Tendering Process						12	Yes	11.5	Draft Report Issued

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Risk Management (Assurance Mapping Refresh)						2	Yes	0.5	In Fieldwork
Corporate Governance (Assurance Mapping Refresh)						2	Yes	0	Allocated
Transformation (continuous assurance)						12	No	0	Allocated
IT Audits – 12 days									
Mobile Phone Security (shared with SBC)						6	Yes	0	Allocated
IT Project Management (shared with SBC)						6	Yes	1	ToR Issued
Completion of 2022/23 Projects – 6 days									
Supply Chain Interruption	Substantial	0	0	0	2	6	Yes	6	Final Report Issued
Elections Payroll	Reasonable	0	0	5	0		Yes		Final Report Issued
Software Licence Management	Limited	0	2	1	0		Yes		Final Report Issued
Contingency – 6 days									
Contingency						6	N/A	0	Through Year
Strategic Support – 47 days									
Head of Assurance Opinion						3	Yes	3	Complete
Audit Committee & Recommendation Follow Up						10	Yes	6	Through Year
Client Engagement & Adhoc Advice						10	Yes	6.5	Through Year
2024/25 Audit Planning						5	Yes	5	Complete
Service Development						5	Yes	5	Complete
Progress Monitoring						12	Yes	8	Through Year
SAFS Related Matters						2	Yes	0	Through Year
TOTAL		0	3	22	8	250		160	
* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority									

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit & 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 / Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2024)
1.	Payment Card Data Security Standard (2020/21).	<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>Revised Due Date: 31 March 2024.</p>	<p><u>January 2024.</u> Replacement software has been commissioned and is on track for implementation by the due date.</p>	Implemented.
2.	Payment Card Data Security Standard	<p><u>Recommendation:</u> <u>Roles and Responsibilities.</u> As a subsequent output from the formation of the cross-Council</p>	<p>Responsible Officer: Head of</p>	<p><u>January 2024.</u> Replacement software has been commissioned</p>	Implemented.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2024)
	(2020/21).	<p>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.</p> <p>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>Agreed Management Action(s):</p> <p>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.</p> <ul style="list-style-type: none"> - 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>Strategic Finance & Property.</p> <p>Revised Due Date: 31 March 2024.</p>	<p>and is on track for implementation by the due date.</p>	
3.	Software Licence Management (2022/23).	<p>Recommendation: <u>Recording, Management and Monitoring of Software Licence Information.</u></p> <p>The exercise to populate Manage Engine with contract information should be prioritised and finalised, ensuring that:</p> <p>a) All known contracts are entered on to the system to ensure that the data is complete, up to date and reflects records held locally</p>	<p>Responsible Officer: Matt Canterford, Assistant Director and CTO.</p>	<p>January 2024. New recommendation. The management response opposite is the latest comment.</p>	Not yet due.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2024)
		<p>(e.g., on spreadsheets).</p> <p>b) All contracts entered on to the system are supported by a copy of the software licence agreement and contract.</p> <p>c) Notification rules are set to promote consistency of renewal processes. E.g., notifications for upcoming expiry of contracts are set as 100 days at a minimum.</p> <p>d) Licences which are expired, due to expire or be renewed are reported to senior management to enhance oversight and decision making.</p> <p>Agreed Management Action(s): Since October, we hired a business support officer to help us prioritise the data population of the Manage Engine for each contract and to ensure we have a copy of the software license agreement. Furthermore, we are setting up notification rules to alert us of any upcoming contract expires.</p>	<p>Due Date: 30 April 2024.</p>		
4.	<p>Software Licence Management (2022/23).</p>	<p>Recommendation: <u>Software Licensing Polices.</u> Policies should be reviewed and updated to ensure that they include specific, clear, and relevant policy statements in respect of software licensing management activities, e.g.:</p> <p>a) Responsibilities for obtaining, approving, distributing, monitoring, and using software licences.</p> <p>b) Steps to take in the event of the installation of unauthorised or unlicensed software.</p> <p>c) Preferred licensing models.</p> <p>Agreed Management Action(s): The current IT Policies are to be reviewed and updated to ensure that they outline responsibilities for obtaining, approving, distributing, monitoring, and using software licences.</p>	<p>Responsible Officer: Matt Canterford, Assistant Director and CTO.</p> <p>Due Date: 30 April 2024.</p>	<p>January 2024. New recommendation. The management response opposite is the latest comment.</p>	<p>Not yet due.</p>

APPENDIX C – INTERNAL AUDIT PLAN 2023/24 – PLANNED AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
Election Payroll 2022/23 (Final Report)	Customer Services Cash Handling (Final Report)	Land Charges (Final Report) c/f from April	Tender Process (Draft Report) c/f from May	Houses in Multiple Occupation (Final Report)	Debtors (Final Report)
Supply Chain 2022/23 (Final Report)	NSAP Grant Audit (Final Report)		S106 Agreements (Final Report) c/f from May	Court Cost Tracking (Final Report)	Planning & Development Fees (Final Report)
Software Licence Management 2022/23 (Final Report)					
Oct	Nov	Dec	Jan	Feb	Mar
Environmental Health Case Management - Record Keeping (In Fieldwork) c/f from June	Council Tax (Final Report) b/f from Jan	Business Rates (Quality Review)	Main Accounting Assurance Mapping Refresh (Allocated)	Treasury Management Assurance Mapping Refresh (Allocated)	
Residents Parking Permits (Draft Report)	Housing Benefits (Final Report)	Creditors (In Fieldwork)	Asset Management Assurance Mapping Refresh (Allocated)	Risk Management Assurance Mapping Refresh (In Fieldwork)	
	IT Project Management (ToR Issued) c/f from July		Mobile Device Security (Allocated)	Corporate Governance Assurance Mapping Refresh (Allocated)	
			Community Grants & Funding (ToR Issued) c/f from July	Payroll Assurance Mapping Refresh (In Planning) c/f from Dec	

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.