East Herts Council
Audit & Governance Committee

27 November 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

Contents

Appendices:

1 Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with:
   a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2024/25 Internal Audit Plan to 8 November 2024.
   b) The findings for the period 7 September to 8 November 2024.
   c) Details of any changes required to the approved Internal Audit Plan.
   d) The implementation status of previously agreed audit recommendations.
   e) An update on performance management information to 8 November 2024.

<u>Background</u>

1.2   Internal Audit's Annual Plan for 2024/25 was approved by the Audit & Governance Committee at its meeting on 30 January 2024. The Audit & Governance Committee receive periodic updates against the Internal Audit Plan. This is the second update report for 2024/25.

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

<u>Delivery of Internal Audit Plan and Key Audit Findings</u>

2.1   As of 8 November 2024, 56% of the 2024/25 Internal Audit Plan days have been delivered.

2.2   The following final reports have been issued since September 2024:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Premises Licensing	Oct 2024	Limited	One High Priority
Data Breach Incidents & Response	Oct 2024	Substantial	Two Low Priority
Sickness Absence Management	Nov 2024	Substantial	One Low Priority
Housing Benefits	Nov 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 2024/25 approved projects to 8 November 2024. Appendix A provides a status update on each individual project within the 2024/25 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	7	30%
Draft Report Issued	2	8%
In Fieldwork/Quality Review	5	21%
In Planning/Terms of Reference Issued	2	8%
Allocated	8	33%
Not Yet Allocated	0	0%
Cancelled/Deferred	0	0%
Total	**24**	**100%**

Internal Audit Plan Changes

2.4   No planned audits have been cancelled or deferred, and no new audits have been commissioned, 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. One new High Priority recommendation has been added to the schedule since the last Progress Report. This relates to re-engineering business processes within the Licensing service.

Performance Management

2.7   The 2024/25 annual performance indicators were approved at the SIAS Board meeting in March 2024.

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

Performance Indicator	Performance Target for 31 March 2025	Profiled Performance 8 Nov 2024	Actual Performance 8 Nov 2024	Notes
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	58%	56%	141 days delivered out of the current 250 days planned
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2025	90%	42%	38%	9 projects to draft or final report from the 24 planned
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%	Based on the results of the 1 completed questionnaire received (from the 7 issued)
4. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	95%	100%	One High Priority recommendation made in the year to date

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:

- **5. 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 2024/25 as the audit plan for the financial year 2024/25 was presented to the Committee in January 2024.

- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects.

- **7. Chief Audit Executive's Annual Report** – presented at first 2024/25 meeting of the Audit Committee. This indicator was achieved for 2024/25 as the Client Audit Manager's Annual Report (for 2023/24) was presented to the May 2024 meeting of this committee.

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 2024/25 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 – 39 days									
Business Rates (shared with SBC)							Yes		In Fieldwork
Council Tax (shared with SBC)							Yes		ToR Issued
Housing Benefits (shared with SBC)	Substantial	0	0	0	4		Yes		Final Report Issued
Treasury Management (risk & control mapping refresh)						39	Yes	14	Allocated
Debtors (risk & control mapping refresh)							Yes		Allocated
Creditors (risk & control mapping refresh)							Yes		Allocated
Payroll							Yes		In Planning
Accounting (risk & control mapping refresh)							Yes		Allocated
Operational Services – 62 days									
Freedom of Information	Substantial	0	0	0	2	10	Yes	10	Final Report Issued
Garden Waste Collection						10	Yes	0	Allocated
Rent & Lease Administration						10	Yes	9.5	Draft Report Issued
Homelessness						10	Yes	0	Allocated
Licensing	Limited	0	1	0	0	12	Yes	12	Final Report Issued
Follow Up of Limited Assurance Reports from 2023/24 (1)	Not Assessed	0	0	0	0	5	Yes	5	Final Report Issued
Follow Up of Limited Assurance Reports from 2023/24 (2)						5	Yes	2.5	In Fieldwork
Corporate Services/Themes – 74 days									
Crisis Management						10	Yes	6	In Fieldwork
Risk Management (risk & control mapping refresh)						2	Yes	1	In Fieldwork
Corporate Governance (risk & control mapping refresh)						2	Yes	0	Allocated
Sickness Absence Management	Substantial	0	0	0	2	10	Yes	10	Final Report Issued

APPENDIX A - PROGRESS AGAINST THE 2024/25 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
On Demand Grant Audits						6	No	0	Not Yet Allocated
Travel & Expenses	Reasonable	0	0	2	0	10	Yes	10	Final Report Issued
Embedded Project Assurance						12	No	0.5	In Planning
Corporate Health & Safety Management						10	Yes	9.5	Draft Report Issued
Community Safety Partnership						12	Yes	8	In Fieldwork
IT Audits – 15 days									
Data Breach Incidents & Response	Substantial	0	0	0	2	9	Yes	9	Final Report Issued
IT Hardware Inventory (shared with SBC)						6	Yes	0	Allocated
Completion of 2023/24 Projects – 5 days									
Various						5	Yes	5	Complete
Contingency – 0 days									
Contingency						0	N/A	0	Through Year
Strategic Support – 55 days									
Head of Internal Audit Annual Opinion						3	Yes	3	Complete
Audit & Governance Committee & Recommendation Follow Up						10	Yes	6	Through Year
Client Engagement & Adhoc Advice						10	Yes	5	Through Year
2025/26 Audit Planning						5	Yes	0	Allocated
SIAS Service Development & Global Internal Audit Standards Implementation						5	Yes	5	Through Year
Assurance Mapping						10	Yes	3	In Fieldwork
Plan & Progress Monitoring						12	Yes	7	Through Year
SBC TOTAL		**0**	**1**	**2**	**10**	**250**		**141**	
* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority									

APPENDIX B: IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit 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 (Nov 2024)
1.	**Software Licence Management (issued Nov 2023).**	<u>Recommendation:</u> <u>Recording, Management and Monitoring of Software Licence Information.</u> The exercise to populate Manage Engine with contract information should be prioritised and finalised, ensuring that: 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 (e.g., on spreadsheets). b) All contracts entered on to the system are supported by a copy of the software licence agreement and contract. 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. d) Licences which are expired, due to expire or be renewed are reported to senior management to enhance oversight and decision making. <u>**Agreed Management Action(s):**</u> Since October 2023, 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.	**Responsible Officer:** Matt Canterford, Assistant Director and CTO. **Due Date:** 30 April 2024.	<u>**November 2024.**</u> We have started to populate ICT contracts in Manage Engine and notifications for upcoming expiry of contracts are set as 100 days. This has been tested and is actively working. As part of the ICT restructure, we will be recruiting a supplier manager who will be progressing and maintaining the Contracts Register going forward	Partially Implemented.
2.	**Software Licence Management (issued Nov 2023).**	<u>Recommendation:</u> <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.: a) Responsibilities for obtaining, approving, distributing, monitoring, and using software licences. b) Steps to take in the event of the installation of unauthorised or unlicensed software. c) Preferred licensing models. <u>**Agreed Management Action(s):**</u> The current IT Policies are to be reviewed and updated to ensure that	**Responsible Officer:** Matt Canterford, Assistant Director and CTO. **Due Date:** 30 April 2024.	<u>**November 2024.**</u> Currently in progress with an aim to complete by December 2024.	Partially Implemented.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Nov 2024)
		they outline responsibilities for obtaining, approving, distributing, monitoring, and using software licences.			
3.	**Premises Licensing (issued Oct 2024).**	<u>Recommendation:</u> A full business process review is completed to allow the annual maintenance fee to be administered and fees collected in an efficient and effective manner. Any review should address weaknesses in: • Inter-departmental communication. • Aged debt monitoring and recovery. • Accuracy and completeness of records relating to premises licencing. • Arrangements for suspending licenses. • Defining the roles and responsibilities of the Licensing Officers. • Accuracy and completeness of procedure notes, including those relating to annual maintenance fees. <u>**Agreed Management Action(s):**</u> A cross service working group will be formed, chaired by OR. Including licensing, finance, and the transformation team. Transformation will support the preprocess re-engineering. Group to be tasked with addressing all the issues in the audit by the end of September 2025. The group will initially draw up a timetabled action plan to be signed off by JG. Quarterly updates to JG. Any barriers to improvement or issues requiring corporate input will be escalated by JG to leadership team to ensure all the identified issues are addressed.	**Responsible Officer:** Oliver Rawlings (OR) / Jonathan Geall (JG). **Due Date:** September 2025.	<u>**November 2024.**</u> New recommendation. The management response opposite is the latest comment.	Not yet implemented.

APPENDIX C: INTERNAL AUDIT PLAN 2024/25 – PLANNED AUDIT START DATES

April	May	June	July	August	September
2023/24 Projects Requiring Completion - Complete	Freedom of Information - Final Report	Licensing - Final Report	Rent & Lease Administration - Draft Report	Data Breach Incidents & Response - Final Report	Community Safety Partnership - In Fieldwork
Travel & Expenses - Final Report		Court Cost Tracking Follow Up - Final Report		Corporate Health & Safety (c/f from May) - Draft Report	Sickness Absence Management (c/f from July) - Final Report
					Housing Benefits - Final Report (b/f from November)

October	November	December	January	February	March
Crisis Management - In Fieldwork	Council Tax - ToR Issued	IT Hardware - Allocated	Debtors - Allocated	Accounting - Allocated	
Business Rates - In Fieldwork	Payroll (c/f from September) - In Planning	Creditors - Allocated	Treasury Management - Allocated	Garden Waste Collection - Allocated	
Risk Management - In Fieldwork	Follow Up (2) - In Fieldwork (b/f from February)	Homelessness - Allocated	Corporate Governance - Allocated		

APPENDIX D - ASSURANCE / RECOMMENDATION 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.